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The Financial Times, July 12, 1975

FINANCIAL TIMES

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1971 1975 THE QUEEN'S AWARD TO INDUSTRY

CONTINENTAL SELLING PRICES: AUSTRIA Sch.13; BELGIUM Fr.20; DENMARK Kr.2.75; FRANCE Fr.2.20; GERMANY DM1.70; ITALY L.300; NETHERLANDS Fl.1.50; NORWAY Kr.2.75; PORTUGAL Esc.15.00; SPAIN Pts.30; SWEDEN Kr.2.50; SWITZERLAND Fr.1.50.

White Paper main points

- Universal pay rise limit of £6 a week. This is a maximum within which negotiations will take place.
- Settlements for the 2m. people Government employs directly will comply with the £6 limit.
- Local authorities and public transport authorities (who employ 3m.) will have rate support grant restricted if they exceed the pay limit and do not limit staff numbers strictly. Government prepared to use control of local authority borrowing as a weapon.
- Cut-off point for pay increases set at £8,500.
- Under the Price Code the whole of any pay increase will be disallowed for price increases if the pay limit is breached. This applies to both the private sector and nationalised industries.
- Legislation has been prepared, but is being kept in reserve, to make it illegal for a particular employer to exceed the pay limit. The Government intends to monitor progress jointly with the CBI and TUC.
- Price Code to be continued after March, 1976.
- Price restraint to be imposed on selected products of special importance in family expenditure—either voluntarily following consultation with the CBI and the TUC, or the Government will take action.
- Food subsidies increased—by £70m. in 1976-77.
- Increase in council rents to be held to an average of 60p a week. Cost: £80m. in 1976-77.
- The Government to introduce a temporary employment subsidy as soon as possible—not available to companies which break the pay limit.
- Work is in hand to bring about the extensive use of cash limits in 1976-77 as a means of curbing public expenditure at central and local levels.

Maximum of £6 a week pay rises for all earning less than £8,500

Mixed response to Wilson plan

BY JOHN ELLIOTT, LABOUR EDITOR

THE GOVERNMENT'S new pay policy for the year starting August 1 was launched yesterday by the Prime Minister and the Chancellor of the Exchequer *to a mixed reception from union* leaders and a lukewarm response from employers.

This was accompanied by a warning from Mr. Healey, which could lead to trouble with union leaders, that the proposals were only the first stage of a formal wages policy lasting "several years."

Linked with promises of action on food prices, rents, and public expenditure, the policy envisages a top limit for pay rises of £6 a week for all but the 120,000 people who earn above £8,500, who will receive no rises during the year.

Initially the limit will only be backed by enforcement through the Price Code and by restrictions on the funds available to nationalised industries, local councils and other parts of the public sector while reserve statutory powers to stop employers exceeding the pay limit are to be held firmly in the background.

But there is no wide-ranging assault on prices. Union pressure for a price freeze on some items or for a six-month gap on some price rises has been *resisted.*

Now Ministers are finalising Bills to be published next week on three points: authorising the Price Commission to reject price increases based on wage rises exceeding the £6 limit; relieving employers of contractual obligations to their employees which would breach the £6 figure or the £8,500 cut-off; empowering the Government to cut the rate support grant of individual authorities which breach the limits.

The reserve powers Bill will also be produced next week, although not published through Parliament, and will contain powers for courts to order employers not to exceed the pay limit and to fine those who disobey.

But the Bill will also rule out any action against unions who might otherwise be prosecuted, when staging pay strikes, for conspiring to induce employers to break the law.

The policy was launched with confidence and some degree of ceremony by Mr. Harold Wilson and Mr. Healey, first in the Commons and then at a news *conference in the tight security* of a Ministry of Defence conference hall.

Flanked by a determinedly silent Mr. Michael Foot, Employment Secretary, and by Mrs. Shirley Williams, Prices Secretary, they both appealed passionately for support for their conversion to a formal, if not entirely statutory policy.

Determination

The Prime Minister pledged the Government's determination to defeat any challenge to the policy and called for the sacrifice involved in "one nation working together" while Mr. Healey called for a realisation of the need to "bring this madman's merry-go-round of inflation to a stop."

The compromise between the conflicting cut-off figures of £7,000 favoured by the TUC and £10,000 favoured by the Government is but one of several the policy White Paper published yesterday. Another is that statutory powers to back up the policy are being held so much in reserve that the Bill contain*ing them will not even be passed* through Parliament when it is published next week.

This will help union leaders to claim in the run-up period to their *annual* September Trades Union Congress that there are *not really any statutory powers* at all.

While this pleases many union leaders, some of them are angry that at the last minute the Government diluted the simplicity and the income distribution aspect of their £6 flat-rate payment idea by making it a ceiling for pay rises instead of a virtually guaranteed rise for everyone.

On this, Len Murray, TUC general secretary, was quite adamant last night that as far as he was concerned "every trade unionist in the country is entitled to put forward a claim for a £6 flat rate increase."

Claiming this was an "entitlement aimed at the lower-paid," Mr. Murray clearly resented the fact that the Government's wording means that many lower-paid workers will not receive nearly as much as £6.

This may lead to some conflict between the TUC on the one hand and the CBI and Government on the other, when they try to administer the policy, especially if some employers try to reallocate the total sum allowed for a group of workers on a percentage basis.

'Time-bomb' compromise

Mr. Wilson's statement and the White Paper have probably postponed confrontation with the Labour Left and trade unions, some MPs believe. But his efforts to hold the party together with what they regard as "semantic compromise" on reserve powers is a time-bomb for the Government—**Back Page**

Having successfully fought off the threat of immediate statutory powers, however, Mr. Murray said the unions would be "second to none in trying to make it work," while Mr. Jack Jones of the Transport Workers said he was sure the "working people of the nation will recognise the measures as necessary."

There was, however, the expected total opposition from those union leaders in the coal and engineering industries and elsewhere who constantly oppose wage restraint, while the CBI was doubtful about some of the proposals, especially since there is no firm plan for an organisation to monitor pay rises.

Mr. Campbell Adamson, CBI director-general, made it clear last night he had scant hopes for the success of a policy which was not properly monitored and also complained about the lack of any protection for employers who resist claims above the £6 pay limit which, if paid, would lead them into trouble through the Price Code and perhaps with the law in general through the reserve powers.

Launching thes policy yesterday, both the Prime Minister

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White Paper Page 12. Reactions, Page 13. Features, Pages 14 and 15. Political reactions, Back Page. Gas workers' 25%, Page 22

Alternative would have been steep rise in unemployment

BY WILLIAM KEEGAN, ECONOMICS CORRESPONDENT

THE Government has introduced its incomes policy package *against the background of fore*casts which suggested that unemployment in the U.K. could have risen to between 2m. and 3m. in the absence of firm action. Mr. Healey, the Chancellor, revealed this yesterday when he called for *the effect of the measures to be* considered in "totality."

As it is, unemployment is now expected to reach the 1m. mark within a matter of months, and the effect of the £6 ceiling will be to reduce demand in the already sagging British economy by a further £300m., according to Whitehall calculations.

The extent of the depression was also underlined yesterday by the latest output figures, which showed that May production levels touched those of the three-day week last year. (Details, Page 11.)

It is forecast that yesterday's measures alone will add some 20,000 to 30,000 to the unemployment total.

It was while conceding this yesterday that Mr. Healey stated that, if the Government had not acted, the consequences for sterling would have been such as to produce heavy reductions in living standards, and the sort of cuts in public expenditure which would take unemployment above 2m.

Even so, the measures were greeted with some concern by leading London foreign exchange market experts yesterday. Although there is an abundance of goodwill and hope that they *will succeed,* the market had been hoping for a straight announcement of the introduction of statutory powers.

The Government maintains that, if the pay policy works, the consequent drop in living stan*dards need not be all that great,* and certainly nothing like as large as the 9 per cent. reduction recently forecast in the City. Official calculations put the reduction in post-tax real incomes as between 1 per cent. and *2 per cent.* between third quarter 1975 and third quarter 1976 for the average wage earner.

For somebody on one and a half times average earnings, the prospective drop is put in the region of 3½ per cent., with much *larger figures higher up the in*comes scale.

Tax rates

Such calculations assume unchanged tax rates. It is taken for granted that people will draw on their savings.

With the ghost of the Heath Administration's incomes policy lurking in the wings, the White Paper notes: "A big increase in import prices would impose on us a further reduction of our standard of living and it would then take longer for this policy to achieve the inflation target."

The inflation target is to reduce the year-on-year increase in the retail price index to 10 per cent. by next summer, to single figures by the end of 1976, and *thereafter to keep it in line with* the going rate for other industrialised countries.

Meanwhile, the Government is faced with an embarrassing period during which, merely *from what is known of price rises which have either taken* place or are in the pipeline, year-on-year increases in the coming months are likely to come close to 30 per cent.

The White Paper commits the Government to continuing "to use *the full range of instru*ments available to them to keep the growth of money supply under firm control," adding "at the same time they will, through the Bank of England's guidance to the banking system, see that priority in lending is given to essential sectors of the economy."

An instrument not specifically referred to in the White Paper, but available to control the growth of bank lending, is the use of supplementary special deposits.

The fiscal side of the picture was blotted somewhat yesterday by the publication, within a matter of hours of the White Paper, of supplementary estimates for Government spending totalling £2bn. A large proportion of this figure was in fact already accounted for when Mr. Healey made his Budget forecast that the public sector borrowing requirement in the current financial year would be £9bn.

But it is believed that, of *£265m. Government expenditure* on British Leyland and £40m. on Harland and Wolff included in yesterday's supplementaries, some £200m. of the combined total was *not* allowed for in April.

The 10 per cent. limit on wage increases in the public sector will help the borrowing requirement target, and ought, according to Whitehall sources, to outweigh the effect of lower revenue from the weaker outlook *for demand.*

But these factors taken together still suggest that the borrowing requirement figure for 1975-76 must have been revised upwards at least to £9¼bn.

The projected reduction of £3bn. in the borrowing requirement for 1976-77 has to be revised to take account of £70m. more in food subsidies and £80m. more to limit rent increases, both of which were announced in the White Paper as concessions to the TUC.

Supplementary estimates Page 21

13¼% coupon on new 'long tap'

BY MICHAEL BLANDEN

THE GOVERNMENT yesterday announced another issue of £750m. of new Treasury stock carrying a record interest coupon of 13¼ per cent.

The stock, designed to replace the old long "tap" stock which ran out in record time on Wednesday, was announced late in the day after some erratic movements in the market.

The reaction to the White Paper in the exchange markets, however, was calm, with sterling holding its own. The dollar gained ground generally, against the background of a further in*crease in First National City* Bank's prime rate from 7 to 7¼ per cent.

The pound's average depreciation from December 1971 levels remained at 26.9 per cent. throughout the day, while against the dollar sterling gained 5 points to $2.2005.

The position of sterling has improved significantly during the past week, with yesterday's average depreciation showing an improvement of 0.2 per cent. from the previous day and comparing with a level of 27.8 per cent. a week ago.

The new stocks issue brings the total of Government issues announced so far this year to £4.75bn., reflecting *the success* of the authorities in selling stock to meet the official borrowing requirement.

The news came late in the day, after the market had had time to absorb the implications of the *Government's statement,* and prices had fluctuated widely. At one stage there were gains of up to a point, reversed to losses of up to ¾ later in the day, but towards the close the apparent absence of a new stock issue *announcement brought some* recovery.

The market closed with losses of up to ¾, with the FT Government Securities index down 0.39 at 60.13. Over the past week, however, it has gained 0.80.

The *new stock is due for* redemption in 1997. To be issued at £94.5 per cent., it offers a running yield of 14.02 per cent. and a redemption return of 14.06 per cent.

Though the amount is rather more than the market expected, the terms are in line with market levels.

Financial Times to introduce advanced computer technology

BY KENNETH GOODING, INDUSTRIAL CORRESPONDENT

THE FINANCIAL TIMES *intends to introduce computer* technology to both its production and commercial operations in a move which when fully operational will enable it to operate with fewer than two-thirds of its current 1,396 employees.

Mr. Alan Hare, chief executive, said yesterday the plan combines the introduction of the most radical and imaginative change so far produced for the U.K. newspaper industry with cost savings absolutely necessary for the Financial Times' survival.

Last financial year, the newspaper's taxable profit dropped from £2.25m. to £1m. and it is still declining. By 1978, said Mr. Hare, it was estimated it would be making a loss of £1.5m. unless immediate remedial action were taken.

Although the Financial Times was generally regarded as the most successful and prosperous of Fleet Street's newspapers "*our problems* in current circumstances are no less severe, and in some ways more critical, than those of other newspapers. *This is a long-term crisis not* purely attributable to the present recession," he told union representatives.

The earlier the problem was tackled, the more resources would be available to deal with it, he pointed out. "It might be more dramatic to say that unless the steps we are advocating are agreed within the next six months we shall have to consider closing the newspaper."

Details, Page 19

The Financial Times management is asking the unions to agree to immediate measures which would involve the early retirement of 93 employees over 60 years old. This would take place over the next three months.

It would then take several years to implement the scheme fully but it was hoped that photocomposition will have been fully introduced by the end of 1976 and during the same period much of the commercial and administrative side of the newspaper's operations will have been com*puterised.*

By the time all the proposed changes have been introduced it is expected that the level of employment on the paper will have been reduced by about one third from the 1,303 who will remain after the early retirement scheme.

Most of those who remain will need retraining because traditional methods of working and old demarcation lines will have disappeared. A new wage structure would be worked out doing away with piecework rates.

The Financial Times development goes much further than any other so far considered in the U.K. newspaper industry. Its progress will be watched carefully by other Fleet Street groups in particular and Mr. Hare said he expected others would follow the technological lead being set.

There had been discussions with other Fleet Street newspapers about a possible common plan but the requirements

Continued on Back Page

NEWS SUMMARY

GENERAL

Fears for Lisbon 'rump'

Portugal's Socialist leader, Dr. Soares, last night accused the *ruling Armed Forces Movement* of moving towards State capitalism, "a police State." He was speaking after his party had withdrawn from the government coalition.

Withdrawal of the country's largest party leaves the remainder something of a rump and another defection, such as that of the Popular Democrats, would leave the government with little credibility.

Three days after publication of the people's direct democracy plan, the ruling Armed Forces Movement has shed no light on how it will work or co-exist with the parties, leaving open the question of whether the parties will be squeezed out of existence. Page 9.

Lopez Rega quits

Mr. Jose Lopez Rega, widely identified as the power behind Argentine President Maria Estella Peron, has resigned as Minister of Social Welfare and as her private secretary. There was no immediate indication who would replace him as the economic crisis heightened with an outbreak of violence in industrial Cordoba. Page 9

England collapse

England were 83-7 at the Test close last night (Lillee 3-13, Walker 4-35) *in* reply to Australia's 359. Page 8

People, places

Vandals backed Fleetwood ferry taking 66 into its dock and the vessel sank during efforts to free

Four Spanish Air Force training jets collided over the Mediterranean, killing all five crew aboard.

Maurice Setters won his claim, and £1,340, for unfair dismissal as manager of ill-starred Doncaster Rovers.

British Open overnight leaders were: Cole (SA) 204; Newton (Aust.) 205; Miller (U.S.) 206; Watson (U.S.) 207: Nicklaus (U.S). 208; Oosterhuis (U.K.) 209. Page 5.

BUSINESS

Equities fall 10.8 on measures

- EQUITIES fell sharply after the announcement of the Government's anti-inflation measures. Leaders also reflected end-Account and pre-weekend *selling. The FT 30-share index* closed at the day's low of 313.6, down 10.8, but showing an 18 point rise on the Account.
- GILTS swung from early gains of up to a point to losses of about the same after the White Paper. With no 3.30 p.m. "tap stock" announcement, losses were reduced to ¾. After hours' trading ceased on the late news of a £750m. issue of Treasury stock.
- STERLING gained 5 points to $2.2005; its weighted depreciation was 26.9 (27.1) per cent.
- GOLD rose $1½ to $165½.
- WALL STREET closed down 0.78 at 871.09.
- INDUSTRIAL PRODUCTION fell *nearly* 0.8 per cent. in May from the revised April figure, now 0.5 per cent. lower. Page 11
- BUILDING SOCIETIES are "very satisfied" with the June inflow of £208m., although this is £109m. less than in May. Page 11

ICI to raise DM100m.

- ICI is to raise DM100m. (£19.4m.) in the Eurobond market — its second call for foreign capital in a month. Page 21
- BRITISH BEEF "mountain" may join the range already erected in West Germany, France and Ireland, *if prices quoted by the* Intervention Board are accepted by wholesalers. Page 11
- COCOA prices soared in London to £591 a tonne. Page 19
- COATS PATONS institutional shareholders made their expected protest over dividend policy at the Glasgow meeting, but both the report and accounts and proposed scrip issue were approved. Back Page

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

rdin and Peacock	78	+ 5
ntona	50	+ 6
ns. Tea and Land	220	+ 20
Beers Dfd.	317	+ 5
continental	510	+ 30

FALLS

asury 10½pc '78	£97⅞	− ⅜
asury 7¾pc '12/15	£54¾	− ¼
[illegible]	188	− 7
d. P. Cement	136	− 7
ock and Wilcox	98	− 5
ham	283	− 8
y Wiggins	78	− 5
ts	194	− 13
ly	312	− 11
itish Home Stores	285	− 10
oral (J.)	99	− 4
Courtaulds	118	− 5
EMI	177	− 8
Glaxo	343	− 9
GKN	224	− 7
House of Fraser	73	− 5
ICI	266	− 7
Lyons (J.) "A"	134	− 9
Marks and Spencer	195	− 7
Metal Box	230xr	− 9½
Nat. Carbonising	44	− 4
Nat. Westminster	215	− 10
P & O Dfd.	95	− 4
Reed Intnl.	210	− 10
SGB	85	− 5
Stock Conversion	132	− 7
Thorn Elect.	138	− 10
Tube Investments	254	− 8
UDS	78	− 7
Unilever	374	− 12
Shell Transport	308	− 7
Beralt Tin Wolfram	10½	− 3½
Ocean Resources	23	− 3
Ventersport	900	− 60

FEATURES

FT REPORT

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The week in London and New York

Long-dated gilts in demand

There were one or two sharp falls on Monday but for most of the week equities have drifted sideways in what has been a calm enough run-up to the White Paper. The market eased back 10.8 points yesterday but that was mostly due to end of account selling and it is clear that the initial reactions to the Government's anti-inflation proposals are largely mixed.

On the week the 30-Share index is 9.7 points lower at 313.6. But that still leaves gains of around 6 per cent. over the account, and some of the financial sectors have been performing strongly this week. Gilts have been very firm too, especially at the long end. The official long tap ran out on Wednesday morning with the Government broker selling something like £500m. worth of stock in less than a week, though there were signs yesterday that the market had called a halt to buying. Sterling has

TOP PERFORMING SECTORS IN FOUR WEEKS FROM JUNE 12

	% Rise
Wines & Spirits	+8.1
Entertainment & Catering	+4.9
Electricals	+4.6
Oils	+3.8
Toys & Games	+3.5
Electronics, Radio & TV	+3.2

THE WORST PERFORMERS

	% Fall
All-Share Index	−2.4
Newspapers, Publishing	−5.2
Packaging & Paper	−5.7
Food Retailing	−6.5
Insurance (Composite)	−7.9
Stores	−11.0
Banks	−13.6

ended the week with a trade weighted depreciation of 27.1 per cent.—against a worst ever 29.2 per cent. before Mr. Healey announced his crisis proposals just 11 days ago.

When rights go wrong

This week the 100th company — Wheatsheaf Distribution — reached the end of the 1975 rights issue queue, and the total amount raised by industry and commerce topped £800m. But the week was also marred by the first serious failure among issues this year, with the news that as much as 57 per cent. of the BOC rights issue was left with the underwriters—representing shares worth some £13.5m. out of rather more than £23m. raised. This was a much larger failure than last week's Duport result, where the underwriters took only 40 per cent. of a much smaller issue. But there need not be any serious impact upon the hopes of would-be future rights candidates; some slackening in the pace of fund-raising was becoming likely in any case, though the queue still stretches three months ahead.

Two bid questions resolved

The BOC issue was a failure because the sponsors pitched the price of the new shares too near (just 19 per cent. under) the market price before the issue was announced on June 12. This was partly because the accompanying half-yearly statement was thought likely to have a more positive impact than in fact it did. In the following weeks, too, the equity market was in a downtrend, and eventually the right to subscribe for the new shares became valueless. To avoid a repetition of the BOC failure issuing houses are now pricing issues at discounts of 25 per cent. or so; they would find it very hard to find sub-underwriters for anything more finely pitched.

The bids for Sheffield Twist Drill and Sealed Motor Construction have been as closely fought as any this year—but both were unexpectedly resolved this week. Having (arguably) led the bidding for Sealed Motor for some weeks, Myson suddenly pulled out of the battle on Tuesday. Over at Sheffield Twist, SKF of Sweden has stepped up its offer from 91p to 95p. Thorn—which earlier had gone as high as 92p and got the backing of the Sheffield Twist Board—has sold its 15 per cent. holding and this leaves SKF in a position of full control.

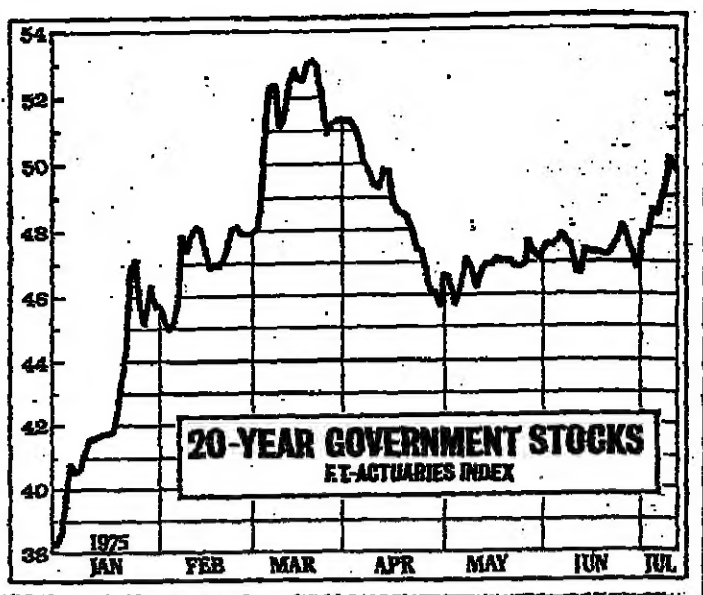
This auction for Sheffield Twist has been good for shareholders with an original offer (from SKF) of 77½p finally extended by 22 per cent. But Sealed Motor's share price has now drifted back to 39½p, whereas at current prices the offer from Myson would have been worth around 44p. For its part Myson is entering the field of central heating pumps from another angle—by agreeing in principle to buy the pump operations of Sundstrand (U.K.) in a cash deal worth around £½m., or roughly a fifth of what the equity and cash package put up for Sealed Motor would have utilised.

A feature of this contest—Myson's opponents, Adwest, now presumably have a clear pathway—was the muted Boardroom unrest it generated at Sealed Motor; at Vantona the split between the directors is out in the open from the word go. Spirella is bidding for Vantona in what looks like proving a very touchy affair.

A lean year for the timber trade

"Undoubtedly in all sections trading will become more difficult and . . . prices have not by any means bottomed yet." Thus the chairman of May and Hassell this week on the outlook for timber prices following falls last year that ranged to a fifth and helped put International Timber £1m. into the red for its second half-year to March. But Southerns-Evans and Bambergers also reported this week and from the general trend within the industry it looks as if International is something of a special case.

Last year's Southerns' profits dropped by £2.4m. pre-tax (a third). But £1½m. of that was due to stock write-offs whereas profits at International are



something like £5½m. lower excluding stock adjustments. The latter is losing money in Europe and its contract flooring operations have moved heavily into the red. But the major difference between the two companies' earnings trends have arisen over the timing of stock purchases. Last year International was one of the few companies contracted to take up supplies of Russian timber at a time when demand and selling prices in this country were in a rapid downswing.

Thus end-March stock levels at International were slightly up at just over £33m. whereas Southerns ended the same period with stocks down from £11.2m. to £7.8m. At present demand remains very patchy and clearly there is still plenty of price weakness around. But not everyone shares May and Hassell's pessimism — Southerns for one reckons to have experienced volume recovery this year over the final quarter of 1974-75, and International had got its stocks down to £30m. by June.

Down 15 per cent. to 78p this week, International's 10 per cent. yield is three points above the average for the major softwoods groups. If the improving housing picture can really get the timber cycle moving by the end of this year, that must have its attractions.

Plenty of bounce at Imps

Our tobaccos index has dragged along the bottom of the performance charts this year, having been one of the stronger components during 1974. Fears that the industry would be landed with a further bout of heavy duty increases were, of course, confirmed in the last Budget and this has had a predictable effect on cigarette sales. Whereas on a similar occasion in 1974 sales dropped initially by 10 per cent. and took ten months to fully recover, this time demand fell by 20 per cent. immediately and has subsequently clawed back to 15 per cent.

However, a feature of the sector has been the relative strength of Imperial group: brokers calculate that the shares have risen by 27 per cent. relative to the rest of the market over the past month. And the interim figures announced this week go some way towards an explanation, with pre-tax profits for the period at £52.5m. at least £5m. ahead of market expectations.

Furthermore, the breakdown between divisions shows that most of this earnings punch came from the tobacco side. This partly reflects the fact that Imps had to hold down its selling prices in the first half of 1973-74 in order to keep inside its margin reference level. This time around there has been no such problem. There are suggestions that the latest figures have been inflated by pre-Budget stocking-up, though there is no evidence to support this. Understandably, second half profits (on the tobacco side) are likely to be lower because the volume cuts will be biting. But price increases and Imps' particular bias to cheaper brands should limit the setback to perhaps £1m. The rest of the group is going to take up this slack, there being a huge recovery in prospect over this period for the food side while brewing should hold its own.

Onlooker

MARKET HIGHLIGHTS OF THE WEEK

	Price Y'day	Change on Week	1975 High	1975 Low	
F.T. Ind. Ord. Index	313.6	− 9.7	365.3	146.0	Profit-taking after White Paper
Treasury 12¼% 1995	£92¾	+ 2	£102	£75	Encouraged by 'tap' exhaustion
Airfix Non-Voting	54	+ 7	58	27½	Good preliminary statement
Alexanders Discount	205	+17	235	135	In sympathy with rise in gilts
Amal. Distilled Prods.	45	+ 7	49	14	Bid speculation
Assoc. Aust. Resources	120	−15	185	110	Hail Creek coal project problems
Associated Newspapers	94	+ 8	134	57	Profits above market estimates
Butterfield-Harvey	26	+ 7	28½	10½	Press comment/excellent results
Coral (J.)	99	+ 6	113	38	Half-time profits advance
Hanson Trust	158	+18	170	57	Bonus "Rights" terms
Henderson-Kenton	25	+ 4	28	11	Satisfactory results
Howard Machinery	53	− 7	82	28	First-half setback
International Timber	78	−14	102	36	Disappointing results
London Aust. and Gen.	38½	+ 7½	43	9½	Agreed bid from Lonrho
National Carbonising	44	− 9	62	22½	Chairman's bearish statement
New Wits.	290	+40	305	160	Mineral rights deal
Pancontinental	510	+100	510	220	More uranium ore
Reed International	210	−26	297	124	Scottish paper mill closure
Vantona	50	+11	52	16	Bid from Spirella
Waddington (J.) 'B'	91	+10	108	36	Inc'd profits + 'B' enfranchisement

Hopeful market

BY JAY PALMER

NEW YORK, July 11.

LAST WEEK Wall Street snapped upwards out of the 800-860 Dow Jones industrial index trading range that has dominated the scene since last April. Technical analysts, insisting that the move was a decisive one, now project a steady if bumpy rise to 900 plus where a further consolidation is likely. This week's initial slide back and subsequent recovery is seen as a further confirmation of this new trend.

In detailed terms, the market's new surge has been attributed to many different factors, including fresh hopes of a new and lasting Middle-East settlement. But perhaps the most important factor is the growing realisation by even the most ardent pessimists that the recession is now finally bottoming out.

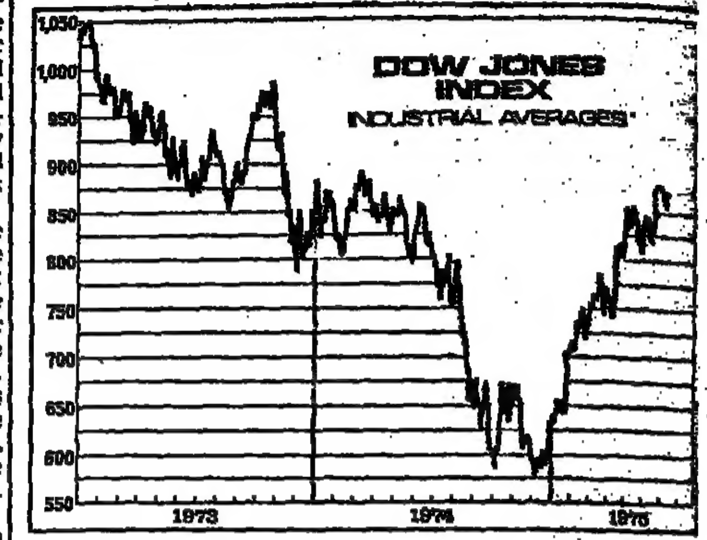
Whereas most projections of yesteryear forecast a sharp and sudden recovery (along the lines seen at the end of each and every post-war U.S. recession), this pattern is now discounted. Analysts in both public and private sectors now forecast something around a 4 per cent. growth in real GNP this quarter followed by a 6 per cent. gain in following quarters. While such gains may be less than hoped and less than expected, they carry a bonus in making the danger of really harsh inflation less likely.

Most market observers, if asked to list their ideas as to why Wall Street turned higher this year, would place the steady decline in interest rates high in importance. Since the start of this year, all key short-term rates have fallen sharply (Treasury bills returning over 7 per cent. in January yielded under 5 per cent. in mid-June) and the effect has been to make equity investment comparatively attractive.

This trend has, however, now been reversed though it remains unclear as of now whether or not the reaction is temporary and indeed, whether or not the market will be affected. To put matters simply, the Federal Reserve, reacting to a very high money supply increase report, tightened its credit screws by setting a new floor on the Federal Funds rate of over 6 per cent. compared with earlier 5 per cent. levels. The effect was immediate—all rates moved sharply higher with the intermediate Treasury Bill rate climbing since mid-June to over 6 per cent.

The most visible impact of the new Fed drive (which incidentally many predict is now already ending) has been the recent reversal of the nine-month decline in prime lending rates. Last week First National City Bank of New York (the U.S. banking industry's prime rate leader) lifted its prime from 6¾ per cent. to the then and now industry average of 7 per cent. This morning, the bank again moved higher—to 7¼ per cent.—and while no other major banks have yet followed suit, few doubt that this will do anything but spark off a round of increases.

The question which everyone is asking is of course whether or not Wall Street can hold its present levels in the face of any continued rise in interest rates. The crucial word must be "continued." Resilience in equity prices can be expected to hold up for a few weeks while beyond that hopes can be expected to die. Still even at present levels Wall Street still looks capable of at least holding present levels if not actually moving higher.



DOW JONES INDUSTRIALS

	CLOSE	CHANGE
MON.	861.08	−10.71
TUES.	857.79	−3.29
WED.	871.87	+14.08
THURS.	871.87	—
FRI.	871.09	− 0.78

MINES IN THE NEWS

Inflation burns coal

BY MALCOLM DUMPHREYS

ONE MINERAL which is maintaining almost glamour status in these days of generally depressed raw material prices is coal. Canada's Bethlehem Copper has said recently that it is actively pursuing "a significant investment in the coal industry" in the U.S.

Texasgulf, which is domiciled in the latter country but which is some 30 per cent. owned by the Canadian Government controlled Canada Development Corporation, has stated that it "will get into coal one way or another because the outlook for demand and prices is bullish."

Hail Creek

It is against this background that Australia's major nickel producer, Western Mining, has announced this week that it is pulling out of the big Hail Creek coking coal project near Mackay in Queensland. The company has decided not to take up its 30 per cent. interest in the venture which already has a contract to supply 66m. tonnes of coking coal to Japan starting in the third quarter of 1978 and lasting for 15 years.

Why, then, should the company turn down what appears to be a highly promising investment? The answer would, once again, appear to be the effect of cost inflation, the same reason that has caused the Selection Trust-MIM Holdings partnership to defer, for the time being at least, the go-ahead decision for their Agnew nickel project in Western Australia.

The other Hail Creek participants, however, which include Conzinc Riotinto's 53.4 per cent-owned IOL Petroleum, together with Associated Australian Resources, Marubeni, and Sumitomo, have decided to press on and reconstitute the project, and it is understood that several firms, including CSR and MIM Holdings, are interested in filling the gap left by Western Mining.

The plight of the Australian mining industry is currently the subject of a Commission which is looking into the effect of taxation and royalties on the industry. The reality of the situation is, according to the Rio Tinto-Zinc group's Conzinc Riotinto, that the industry faces a considerable slowdown and significantly reduced growth under the present Government's policies, a view that has been echoed by CSR (formerly Colonial Sugar Refining). Perhaps now that the Government has seen major companies shying away from what could in no way be described as marginal propositions they will have a change of heart.

Changing continents and on a happier note, the first-half diamond sales figure of R355.1m. (£226.2m.) announced on Wednesday by De Beers Central Selling Organisation was a little above the top end of share market forecasts. Although sharply lower than the R535.5m. for the same period of 1974, it is 13.2 per cent. up on the R313.6m. for the last half of that year.

The improvement reflects good demand for smaller diamonds (under one carat), but whether this can be maintained for the second half of the year depends on the rate of recovery in world economies and, more especially, that of the U.S.

The June monthly tin outputs from Malaysia's mines make up the full year's total for four of the larger companies. Only Ayer Hitam has produced more, output rising to 3,125 tonnes from 2,635 tonnes in 1973-74. Malayan Tin's total has fallen from 3,574 tonnes to 3,196 tonnes, Southern Malayan's from 2,538 tonnes to 2,325 tonnes and Tongkah Harbour's from 805 tonnes to 586 tonnes.

Profits for all four companies should be better than the previous year; however, thanks to the higher Penang metal price on which basis they sell their metal. The metal price average for the year to June 30 was $M1,029 per picul as against $953 for 1973-74. There are 16.5 piculs in a metric tonne.

The outlook for the current year is less bright, however. The imposition of export quotas by the International Tin Council has been extended until end-September, which, in the recent words of the chairman of Idris "could not be but adverse to profits." Coupled to this is the lower metal price which now stands at around $925. As ever, it is important to follow our monthly table of tin outputs which compares cumulative totals with those for the same period of the previous year.

A blast from the unions

HEAVIER rumblings of unrest have been heard this week from South Africa where the white gold mine workers who have declared a dispute in their quest for a five-day week have now been joined by their colleagues in the coal industry who also want the shorter working week. Thus South Africa faces a threat both to her vital export earnings from gold and to her power supplies which are mainly dependent on coal.

In these circumstances it is difficult to see how the mining industry can take a really hard stand on this issue and a compromise is being sought. Fortunately, South Africa's labour laws allow a fair lee-way for talking in the cooling-off procedure laid down.

It works like this. First the unions have to declare a dispute and call for a conciliation committee, which they have done this week. The latter, under Government chairmanship, must be set-up within 30 days and if there is no agreement within a further 30 days the unions must either go to arbitration or hold a strike ballot.

The South African Chamber of Mines reckons a five-day week would cost the gold mining industry some R250m. (£159m.) as the result of lost production because there would be one underground blast less per week if Monday to Friday working was adopted. For this reason it refutes the Council of Mining Unions' claim that production could be maintained by working the same number of hours over the shorter period.

In some ways the Chamber would welcome a shorter week as it would assist in recruiting white workers. Various alternatives have been offered, to the unions including working five days on a shift basis or working voluntary overtime on Saturdays thus keeping to the six-day operating week and maintaining the vital number of underground blasts.

The Chamber has also asked the unions for "changes in labour practice" which it is understood would mean job advancement for black workers. One such area would be allowing a black miner to go underground before daily work begins in order to carry out safety checks. At the moment only whites are allowed to do the job, and the union seems determined to keep it that way, despite assurances by the Chamber that there would be no redundancies among the white labour force.

A flat five-day week would also create problems in regard to the black mineworkers' contracts. Some of the men are contracted to work a prearranged number of shifts while others sign on for a period of time. Those workers on a shift-based contract — usually 26 shifts are worked per month — would have to stay at the mine longer before their term expired and the Chamber is worried that with the men being idle over the week-end there might be a return of the bitter inter-tribal fighting that was seen last year.

Black workers are not allowed to be members of any unions by South African law although some mines have set up liaison committees with representatives of the black workers talking over difficulties with mine personnel. Even so, the black workers' reaction to a five-day week has not yet been fully investigated.

Meanwhile, the industry continues to try to develop machines which will cut rock in the narrow working areas and thus remove the productive-time consuming business of blasting altogether. Progress is being made in overcoming the technical problems involved, but it may well take another ten years or so before the use of explosives underground can be abandoned.

TV/Radio

† Indicates programme in black and white.

BBC 1

9.00 a.m. Teddy Edward. 9.05 The Mister Men. 9.15 Lassie's Rescue Rangers. 9.35 The Lone Wolf. †10.00 "Sergeant Bilko" starring Phil Silvers. 10.25 Bugs Bunny (cartoon). 10.30 Camp Runamuck. 10.55 Weatherman.
11.00 Grandstand: 11.10; 1.10 p.m.; 2.40; 3.55 Open Golf Championship from Carnoustie; 11.30; 2.40 Test Cricket: England v Australia; 2.05; 3.10; 5.05 Athletics; 5.20 Final Score.
5.30 Tom and Jerry.
5.35 News.
5.45 Sport/Regional News.
5.50 Jim'll Fix It.
6.25 Saturday Night at the Movies: "The Last Command," starring Sterling Hayden and Anna Maria Alberghetti.
8.10 Seaside Special.
9.00 Cannon.
9.50 News.
10.00 That's Life with Esther Rantzen.
10.40 Easy on the Ice.
11.10 Eleventh Hour.
11.40 Ghost Story.

All Regions as BBC 1 except at the following times:—

Scotland—†12.32 a.m. Scottish News Summary.

Northern Ireland — 11.00-11.30 a.m. The Twelfth. 5.45-5.50 p.m. Northern Ireland News and Sport. †10.40-10.50 Twelfth Scene. 10.50 Rejoin Network "Easy on the Ice." 12.32 a.m. Northern Ireland News Headlines.

BBC 2

7.40 a.m. to 1.30 p.m. Open University.
2.40 p.m. Saturday Cinema: "An Affair to Remember" starring Cary Grant and Deborah Kerr.
4.30 Cricket: First Test: England v Australia.
6.55 Westminster.
7.25 News and Sport.
7.40 Network.
8.10 Two Women by Alberto Moravia, part 3.
9.00 The Tribal Eye.
9.50 Golf and Cricket.
11.10 News on 2.
11.15 The Old Grey Whistle Test.
11.45 Film Night.
†12.15 a.m.-1.35 Midnight Movie: "Jack the Ripper" starring Lee Patterson.

LONDON

9.30 a.m. Open Day. 9.45 Play a Tune. 10.10 Around the World in 80 Days. 10.35 The London Weekend Show. 11.00 Junior Police Five. 11.10 Rock on with 45. 11.35 Randall and Hopkirk (Deceased).
12.30 p.m. World of Sport: 12.35 International Sports Special (part 1): Cycling—The Tour de France and Banger Racing — The Demolition Derby; 1.10 News from ITN, followed by the Australian Pools Check; 1.20 The ITV Seven—1.30; 2.00; 2.30 and 3.00 from York; 1.45; 2.15 and 2.45 from Lingfield; 3.10 International Sports Special (part 2): Motor Racing—The World Hot Rod Championship; 4.00 Wrestling.
4.55 Results Service.
5.10 News from ITN.
5.20 Betty Boop.
5.30 New Faces.
6.30 Sale of the Century.
7.00 Big Adventure Film: "The Hallelujah Trail" starring Burt Lancaster.
9.30 News from ITN.
9.45 Seven Faces of Woman.
10.45 The Best of Russell Harty.
11.30 The Collaborators.
12.30 a.m. Seven Ages of Man.

All ITV Regions as London except at the following times:

ANGLIA

9.00 a.m. Open Day. 9.25 Play a Tune. 9.50 Woobinda—Animal Doctor. 10.15 The Saturday Morning Film: "Carry On, Follow That Camel" starring Kenneth Williams, Phil Silvers and Jim Dale. 12.00 The Woody Woodpecker Show. 5.20 p.m. New Faces. 6.20 Saturday Night Film: "Kenner" starring Jim Brown. 8.00 Sale of the Century. 8.30 Special Branch. 9.45 The Odd Couple. †10.15 Saturday Late Film: "Crack In The Mirror" starring Orson Welles. 12.00 At The End Of The Day.

ATV MIDLANDS

9.15 a.m. Gardening Today. 10.10 Tiswas. 5.20 Tarzan Adventures. 7.00 Sale of the Century. 7.30 New Faces. 8.30 Special Branch. 9.45 Julie—My Favourite Things starring Julie Andrews. 10.45 The Late Movie: "Hot Enough For June" starring Dirk Bogarde, Sylva Koscina and Robert Morley.

BORDER

9.15 a.m. Gardening Today. 9.45 Chess Masterpieces. 10.00 Open Day. 10.25 The Bark Family. 10.30 The Yellow House. 11.00 Tarzan. 12.00 Zigzag. 5.20 p.m. New Faces. 6.20 Sale of the Century. 6.50 Saturday Film: "The Master of Ballantrae" starring Errol Flynn, Roger Livesey and Anthony Steel. 8.30 Special Branch. 9.45 Julie—My Favourite Things. 10.45 Late Night Film: "Man in the Dark" starring Edmond O'Brien.

CHANNEL

5.20 p.m. New Faces. 6.20 Sale of the Century. 6.50 Cartoon. 7.00 The Big Film: "Pepe" (part 1). 9.45 The Big Film: "Pepe" (part 2). 10.30 The Saturday Show. 11.10 Who Matters? 11.15 The Adventurer.

GRAMPIAN

†10.30 a.m. Junior Movie. "Earth versus The Flying Saucers." 12.00 Isla's Island. 5.20 p.m. Saturday Cinema: "Double Trouble" starring Elvis Presley. 7.00 Sale of the Century. 7.30 New Faces. 8.30 Special Branch. 9.45 The Saturday Show. 10.45 The Late Movie: "The Law v. Billy The Kid" starring Scott Brady. 12.00 Evening Prayers.

GRANADA

10.05 a.m. Three Musketeers. 10.30 Pied Pipers. †10.55 Saturday Matinee: "Make Mine Laughs." 12.00 Shang a Lang. 5.20 p.m. New Faces. 6.20 The Big Film: "Ring of Fire." 8.00 Sale of the Century. 8.30 Special Branch. 9.45 The Best of Russell Harty. 10.30 For Adults Only: "Shadow on the Land" starring Jackie Cooper. †12.15 a.m. Alfred Hitchcock Presents.

HTV

10.00 a.m. Play a Tune. 10.30 Sesame Street. 11.30 Orbit. 12.00 Zigzag. †5.20 p.m. The Saturday Adventure Film: "Escape From East Berlin," starring Don Murray. 7.00 New Faces. 8.00 Sale of the Century. 8.30 Special Branch. †9.45 The Big Film: "Judgement at Nuremberg," starring Spencer Tracy, Burt Lancaster and Richard Widmark.

HTV Cymru/Wales—As HTV General Service except 8.00-8.30 p.m. Hamdden.

SCOTTISH

9.40 a.m. Play Guitar. 10.05 Play A Tune. 10.30 The Way We Live. 11.00 Feature Film: "Twenty Million Miles To Earth." 5.15 p.m. Sale of the Century. 5.45 Shang A Lang. 6.15 Elephant Boy. 6.45 Feature Film: "Ransom," starring Glenn Ford and Donna Reed. 8.30 Special Branch. 9.45 Julie Andrews—My Favourite Things. 10.45 Late Call. †10.50 Kirk Classics: "Sanders of the River," starring Paul Robeson and Leslie Banks.

SOUTHERN

9.15 a.m. Play with a Purpose. 9.45 Play A Tune. 10.10 Regional Weather Forecast. 10.15 Woody Woodpecker. 10.25 London Bridge. 10.55 Rock On With 45. 11.25 Inner Space. 11.50 The Lone Ranger. 12.15 p.m. Southsport. 5.20 New Faces. 6.15 Sale of the Century. 6.45 The Saturday Film: "Flaming Frontier," starring Stewart Granger. 8.30 Special Branch. 9.45 Julie—My Favourite Things. 10.45 The Late Saturday Film: "A Howling in the Woods," starring Barbara Eden and Vera Miles. 12.20 a.m. Southern News.

TYNE TEES

9.25 a.m. Here Lies—"Oliver Cromwell." 9.35 Play a Tune. 10.00 Open Day. 10.25 Dodo The Space Kid. †10.35 Saturday Morning Cinema: "Abbot and Costello Meet the Keystone Kops." 12.00 Woobinda. 5.20 p.m. New Faces. 6.20 Sale of the Century. 6.50 The Main Feature: "Mysterious Island." 8.30 Special Branch. 9.45 Julie—My Favourite Things. †10.45 Movie Through Midnight: "A House is Not a Home." 12.30 a.m. "The Hill and Old Ann." read by Nina Francis.

ULSTER

11.30 a.m. Sesame Street. 5.20 p.m. New Faces. 6.20 Sale of the Century. 6.50 Saturday Movie: "Run Wild, Run Free," starring John Mills, Mark Lester and Sylvia Syms. 8.25 Summer Sport. 8.30 Special Branch. 9.45 The Saturday Show. 10.45 The Late Film—McCloud.

WESTWARD

9.00 a.m. Gardening To-day. 9.25 Play a Tune. 9.50 Sesame Street. 10.50 Rock on with 45. 11.20 Tarzan. 12.10 p.m. Look and See. 12.15 Cartoontime. 12.25 Gus Honeybun's Birthdays. 5.20 New Faces. 6.20 Sale of the Century. 6.50 Cartoon. 7.00 The Big Film: "Pepe" (part 1) starring Cantinflas, Shirley Jones and Dan Dailey. 9.45 The Big Film: "Pepe" (part 2). 10.10 The Saturday Show. 11.10 Who Matters? 11.15 The Adventurer. 11.40 Faith for Life.

YORKSHIRE

10.00 a.m. Open Day. 10.25 Dodo the Space Kid. 10.35 Saturday Morning Cinema: "At Sword's Point," starring Cornel Wilde and Maureen O'Hara. 12.00 The Osmonds. 5.20 p.m. New Faces. 6.20 Sale of the Century. 6.50 The Main Feature: "Mysterious Island," starring Michael Craig, Joan Greenwood and Herbert Lom. 8.30 Special Branch. 9.45 Julie—My Favourite Things. †10.45 Movie Through Midnight: "A House is Not A Home," starring Shelley Winters, Robert Taylor, Cesar Romero and Broderick Crawford.

RADIO 1 247m

(S) Stereophonic broadcast.

6.00 a.m. As Radio 2. 8.06 Ed Stewart (S) also on VHF with Junior Choice. 9.45 Headline Spotters. 10.00 Dave Lee Travis. 1.00 p.m. Jackie Wilson's Top Twelve: (S) also on VHF. 2.00 Alan Freeman (S) also on VHF. 5.00 John Peel (S) also on VHF. 6.30 In Concert (S) also on VHF. 7.30-12.33 a.m. As Radio 2.

RADIO 2 1,500m and VHF

6.00 a.m. News Summary. 6.02 Bruce Wyndham (S). 8.03 Racing Bulletin. 8.06 As Radio 1. 10.02 Charlie Chester: Your Smiling Saturday Show (S). 12.02 p.m. Two's Best. 1.02 The Gag-Crackers' Ball (series): 1,500m. only (also 202m. Scotland). VHF joins Radio 1. 1.30-5.55 Sport On 2: 1,500m. only (also 202m. Scotland), VHF joins Radio 1. 1.30, 2.10, 2.40, 3.10, 5.00 Cricket: First Test. England v. Australia; and reports on Leicestershire v. Essex, Surrey v. Middlesex; 1.30, 2.10, 2.40, 3.10, 5.00 Athletics: The Europa Cup semi-finals, commentaries, also analyses from Crystal Palace and Bulgaria; 1.30, 2.00, 2.25, 2.55 Racing from York, with a classified check at 5.40; news of motor sport, international rowing, cycling. 6.03 Star Sound: 1,500m. only (also 202m. Scotland). VHF joins Radio 1. 7.02 Listen To Les (series): 1,500m. only (also 202m. Scotland). VHF joins Radio 1. 7.30 Sports Desk. 7.32 Radio 2 Top Tunes (S). 8.30 Music from "The Royal" (S). 10.02 Europe 75 (S). 10.45 Alan Dell (S) with Music Through Midnight including 11.02 Sports Desk. 12.00 News. 12.31 a.m. News Summary.

RADIO 3 464m, Stereo & VHF

8.00 a.m. News. 8.05 Saturday Overture (S). 9.00 News. 9.05 The Modern Virtuoso (S). 10.10 BBC Scottish Symphony Orchestra: Mozart, Saint-Saëns, Mendelssohn (S). 11.25-6.40 Cricket: First Test: England v Australia, commentaries, comments, including lunch, tea-time and close-of-play summaries and 1.35-2.10 News. 1.40 Talking Point. 2.00-2.10 Lunchtime Scoreboard. 6.40 Critics' Forum. 7.30 "Idomeneo," opera in three acts, music by Mozart, Act 1 (S). 8.30 Personal View. 8.50 "Idomeneo" Act 2 (S). 9.40 Foreign Press Review of the week's events. 9.55 "Idomeneo" Act 3 (S). 11.25 News.

Radio 3 VHF only—6.20-8.00 a.m. Open University.

RADIO 4

434m, 330m, 285m and VHF

‡ Medium Wave only

6.30 a.m. News. 6.32 Farming Today. ‡6.50 Outlook VHF Regional News. 6.55 Weather, programme news. 7.00 News. 7.10 On Your Farm. 7.40 Today's Papers. 7.45 Outlook. 7.50 Today. ‡7.50 Keep Fit For All the Family. (VHF) Regional News. 7.55 Weather and Programme News. 8.00 News and more of Today with Sportsdesk at 8.30. 8.40 Today's Papers. 8.50 Yesterday in Parliament. 9.00 News. ‡9.05 From Our Own Correspondent. ‡9.30 The Week in Westminster. ‡10.00 News. ‡10.02 The Weekly World. ‡10.15 Daily Service. ‡10.30 Pick of the Week. ‡11.30 Science Now. 12.00 News. 12.02 p.m. Stereo Release (S). ‡12.55 Weather, programme news VHF (except London and SE) Regional News. 1.00 News. 1.15 Any Questions? 2.00 Woman of Action: Judi Dench. ‡3.00 Matinee Musicale. 4.00 News. ‡4.02 4th Dimension. 5.00 PM Reports. ‡5.55 Weather, programme news VHF (except London and SE) Regional News. 6.00 News. 6.15 Stop the Week with Robert Robinson. 7.00 News. 7.02 Desert Island Discs. 7.30 These You Have Loved (S). 8.30 Saturday-Night Theatre. 9.58 Weather. 10.00 News. 10.15 With Great Pleasure. 11.00 Lighten Our Darkness. 11.15 News.

Open University: VHF only—9.05 a.m.-12.00 and 2.00-5.00 p.m.

BBC Radio London

206m and 94.9 VHF

6.00 a.m. As Radio 2. 7.32 Good Fishing. 8.00 Saturday Scene. 9.30 Three's Company. 11.30 It's Saturday. 2.00 p.m. Close-Up. 2.30 The Other Programme. 6.00 News and Sport. 6.02 As Radio 2 until closedown.

London Broadcasting

261m and 97.3 VHF

7.00 a.m. Music in Stereo. 8.00 Saturday Magazine. 10.00 Jellybone. 12.00 London's Week. 1.00 p.m. Newswatch. 1.30 Sportswatch. 6.00 Newswatch. 6.30 London Matters. 7.00 Artswork. 9.00 Nightline. 12.00-6.30 a.m. Nightwatch—News every half-hour.

Capital Radio

194m and 95.8 VHF

7.00 a.m. Kerryground. 9.00 Capital Countdown. 12.00 Kenny Everett with a week's madness concentrated into a two-hour musical maelstrom. 2.00 p.m. Person To Person. 4.00 London Link. 6.00 Soul Spectrum with Greg Edwards. 10.00 Tommy Vance with an hour of Reggae music. 11.00 Tommy Vance—American Pie. 2.00 a.m. Night Flight.

Your savings and investments

Index-linked impact

BY CHRISTOPHER HILL and ERIC SHORT

THE PUBLIC'S preoccupation with inflation seems to have boosted the receipts of the new index-linked plans—possibly a little more than the Government might think desirable.

According to figures from the Department for National Savings, the sales of the retirement certificates which were launched on June 2 (sometimes dubbed the "geriatric bond") have been on a rising trend and the total for the month of June is unlikely to be less than £60m. Similarly the index-linked SAYE scheme had attracted over 68,000 applications in the first eight days (20,000 were prior to the official launch) and the average monthly value of a contract is £14. This is rather high by SAYE standards and forward projections on the current basis of 6,000 contracts a day add up to formidable figures on an annualised basis.

The important question now is the impact that the schemes will have on other forms of savings and the alternatives which may come from the private sector. The National Savings movement has little idea what the effects are on its own alternative products at the moment (but the feeling is that the Government is soft-pedalling the index-linked contracts) and similarly the building societies have not yet experienced any impact from SAYE on their gross inflow. But there does seem to be a rise in withdrawals by old-age pensioners though the impact is difficult to measure in precise terms.

Endowment alternative

THE LAUNCH of the new SAYE index-linked contract is likely to hit the sale of medium-term savings plans by life assurance companies. Yet the industry has remained very quiet about the scheme, despite this threat of competition. So far only one voice has been raised from the life companies—Friends' Provident, a leading mutual life company.

The Friends' Provident makes the very valid point that the projected results of the scheme only look good on the assumption of high future rates of inflation. Should the Government bring inflation under control well within the 5 year life of the scheme—and the company is taking the view that the Government has no alternative—then the return on the bonds could look quite ordinary, perhaps not much above the 6 per cent. per annum guaranteed fall-back level for early encashment.

The alternative investment recommended by Friends' Provident is the short term with-profits endowment assurance, such as its Young Savers Policy. This offers a prospective net return of 9.3 per cent. per annum, after taking account of the tax relief on life assurance premiums, on current bonus rates, as well as providing additional benefits such as death cover. Investors considering this alternative must decide which is likely to be the more stable, the Government's control of inflation or the company's bonus rate.

SAYE link

BY CONTRAST, Trident Life has adopted an attitude of "if you can't beat them, join them," and is offering investors a relatively trouble-free means of setting aside a lump sum out of which to make the monthly payments on the SAYE contract when they become due, while obtaining maximum interest on the balance of the sum.

Under this scheme, investors pay the first instalment on the bond and purchase from Trident a temporary annuity sufficient to pay the remaining 59 monthly instalments. The advantages of this scheme are that the investor is saved the trouble of periodically realising other investments and he benefits from the attractive returns now available on annuities.

For example, a man aged 55 paying basic rate tax who wishes to invest £20 a month (the maximum) in the SAYE scheme could do this for a lump sum payment of £1,008—a first instalment of £20 and the balance of £988 used to purchase a temporary annuity. Since Trident have to make the annuity payments to the investor, it would be simplest to arrange to pay the SAYE contributions by bankers order and have the annuity instalments paid direct into the investor's bank account.

Share option

VARIATIONS ON an investment theme, using the SAYE contract to provide the basic melody, are likely to appear over the next few months. One already being put forward by some companies for the benefit of their staff links it with share options, so that profit can arise from both inflation and equity appreciation.

The member decides how much he is going to invest each month in the SAYE scheme. He is then given an option to purchase new shares in the company, the number being determined by dividing the total outlay by the middle market price of the company's shares at the start of the scheme. Thus if the member invests £10 per month, making a total outlay of £600 and the share price is 100p, then he has an option to purchase 600 shares.

If at the end of five years inflation has been running at an annual rate of 15 per cent., the member will get back his outlay of £600 plus a cost-of-living bonus of £273. Under this scheme he can exercise the share option and receive the 600 shares instead of the outlay. If the share price has increased appreciably over the 5 years it will pay the member to exercise the option even though income tax has to be paid on the profit that arises, whether or not the shares are sold. An investor should check whether his employer is operating such a scheme.

Rise of the independents

BY CHRISTOPHER HILL

FOLLOWING last week's news that the veteran trust entrepreneur Arthur Pickles was selling his Jascot group to Arbuthnot Latham, another familiar face from the 1967-70 era has appeared with an embryo unit trust group.

This is Hamish Bennie who sold the Investment Assured group in 1970 to J. H. Vavasseur and was distinguished in his time for bright ideas like the Oil and Energy Fund, as well as less bright ones like the "Queen's Award" fund. The first offering this time round is the Leo Capital Fund, a conventional growth fund which nevertheless offers a reasonable yield of 6 per cent.

More funds are likely in the near future (another energy fund is an obvious starter) and the trust group is linked to an insurance broking/financial planning outfit, Martin Clarke.

Bearing in mind that to-day's conditions are more competitive than those of 1968-69 and that the investing public now demands more of its investment managers than was the case a few years ago, how can a new group justify its existence? At face value it seems a better bet to throw in one's lot with the big guns like M and G, Save and Prosper or the clearing banks.

But the recent success of Lawson Securities in starting up from scratch proves that a small group can succeed if it offers something which the large groups are unable or unwilling to provide. In Lawson's case, the essential ingredient for success was one of the highest yields on the market which looked increasingly attractive as fixed interest yields started to come down.

In Leo's case the aim of the investment managers is to beat the larger group's at the performance game, by "ruthless" switching and axing of shares. Of course, the larger groups would claim to do this as well —and with increasing justice, for it is no longer possible to exist in the investment world without being active. But a small group with new unit trusts is always at an advantage due to the manageable size of its portfolios.

The main disadvantage of investing with a small independent group to my mind is that —if it is successful—it is normally swiftly taken over by a larger group with a hunger for funds, with the result that its funds normally become indistinguishable from all the others. Also sales success is not always the same as success in managing the investments and small groups often have a couple of their "mistakes" at the bottom of the performance list as well as a successful trust in the top ten.

Choppy waters for shippers

BY TOM KYTE

LARGE CASH balances have often been a source of comfort for shareholders during national economic difficulties and this is particularly true of the hefty resources which the major shipping companies have traditionally held.

Conditions in this sector have become so difficult in the past 12 months or so, however, that it is now highly questionable whether cash resources are as important a consideration when assessing shipping shares now as they used to be. Cash is still a vital part of a shipper's financial make-up, but there are several other important factors which must now be weighed against it.

This is well illustrated by the recent batch of reports from the major shippers and particularly by the accounts of London and Overseas Freighters. In the 1974-75 balance sheet Lofs revealed a cash balance of £21m., £10m. higher than for the previous year and against nil short term borrowings and compared with a market capitalisation of £10.1m. However, if Lofs trading prospects are taken into consideration its immediate outlook seems weaker than that of all the other major shipping companies—P & O, British and Commonwealth, Ocean Transport and Furness Withy.

Lofs' prospects must be judged in the context that at the end of 1974-75 the group had nearly half of its fleet, including two brand new 138,680-d.w.t. tankers, lying idle in Greece. Even though one of these tankers has since been time-chartered, it is disturbing to know that the group has another of equal size due for delivery in September. The implication of this is that though Lofs' cash resources are of an impressive size the group is probably going to need most of them in order to emerge from its 1975 trading problems in a reasonable state.

The latest accounts of both P & O and Ocean Transport (the former's were for the year ended September 1974 while the latter's were for the calendar year 1974) presented rather a different picture. In both cases, a net deficit in the cash position was revealed, and even though P & O has recently received a further £12m. from the sales of its offshore supply vessels its net balance must still be in the red. The reason behind this appears to be the same for both companies. In order to find some cushion against the volatility of the shipping sector they have both expanded outside the industry, P & O into Bovis and Ocean into William Cory.

It seems inevitable though, given the involvement of both companies at the very large end of the freight market, that they will both suffer very badly while the recession lasts, and Ocean Transport, because of its 49 per cent. stake in the troubled OCL consortium, is likely to experience most hardship.

British and Commonwealth also has an interest in OCL, but this is small (just 7.6 per cent. at the moment) and is unlikely to have any significant effect on the group's current-year profits. Indeed British and Commonwealth and Furness Withy both seem much better protected against the shipping depression than any of the other majors, a point that is reflected by the latest forecasts of brokers Simon and Coates. These suggest current-year (fully taxed) figures of 29½p per share for B and C and 40p per share for Furness Withy, which compare respectively with 30½p and 44p for the previous year. The same brokers are predicting an annualised 11p for P & O, against 16½p, 8p for Ocean, against 14½p, and 5½p for Lofs against 14p.

Company	Price	Yield
British and Commonwealth	175p	6.1%
Furness Withy	210p	4.5%
London Overseas Freighters	31½p	15.7%
Ocean Transport	104½p	9.0%
P & O Deferred	95p	8.5%

Both B and C and Furness seem to derive much of their earnings strength from the fact that their involvement in the tanker and large dry cargo markets is negligible. Furness is mainly concentrated on the more resilient small bulk carriers, while B and C has the protection of its diversity (less than half of profits come directly from shipping), plus its specialisation in liners which have always been one of the steadier sections of the market.

Both companies also have fairly strong cash resources — B and C's net figure is around £15m. while Furness's balance is just above £18m. — and while these did not show quite such spectacular growth in the last year as those of Lofs, the trading prospects of each company are so much better that the demands on cash in 1975-76 are likely to be less severe.

Anyone contemplating investment in shipping shares would be wise to take a cautious attitude at the moment. The shipping index, which is currently around 16 per cent. lower than the year's high (compared with an all-share decline of 11 per cent. over the same period) could still have some downward potential. But it is worth considering that B and C and Furness have the best chance of actually increasing their dividends in the current year. Moreover, since P and O, Ocean and B and C all have restrictions on the equity holdings of foreign investors, Furness and Lofs must be the only two with any real chance of being taken over in the foreseeable future, and of the two Furness looks the more attractive.

Convertibles

BY TERRY GARRETT

A TIGHTENING of the convertible market, with jobbers' dealing prices widening and a decreasing amount of stock circulating, is the background to the launching of a Reference Manual of Convertible Stocks this week.

Recently there has been a noticeable switching into convertibles as premiums over equity prices have come down —for example, Lloyds Bank 7½ per cent. started the year at about 100 per cent. premium and currently stands around 40 per cent., having dipped to 30 per cent. at one stage.

Further interest should be stimulated when two new stocks, Whitbread 11 per cent. and English Property 12 per cent., come on the market, since large amounts of stock should be freely available for some time.

The manual, the only one of its type, is published by Bishopsgate Press and details all the quoted convertible stocks. Admittedly it has its shortcomings, such as the absence of a table of final dates of conversion which has as much relevance, in fact more in this market, as final redemption dates. Up-dating could be a problem, and some system of addendum sheets would seem to be necessary. Nevertheless, it should prove valuable, particularly for professional men outside the City as a work for quick reference.

Finance and the family

C.T.T. on real property

BY OUR LEGAL STAFF

My late eldest brother left his house to his next brother and the residue of his estate equally between him, myself and another brother. Is it correct that we are all equally liable for the duty on the estate, though the elder brother gets a lot more out of it?

The duty or, now, the Capital Transfer Tax on the real property comes out of the value of the real property and should be adjusted accordingly, that is to say, while as personal representatives you are equally liable to pay the tax, your brother, as beneficiary, is liable to repay it.

House used for business

More than four years ago I bought a house subject to a covenant that it be not used for business purposes, though I have in fact been running a part-time business in it throughout the period. Is it not the case that I can now establish a right to this change of use?

You are, in fact, confusing two things. The first is the position under planning law, and the second is the position under the covenants in your lease. Under planning law, there used to be a four-year limit in respect of all "development" without permission (this, of course, includes change of user). This is no longer the case.

As regards the enforceability of any covenant in your lease, this, being a continuing covenant, would be broken as much after the receipt by your landlord of any instalment of rent as before, so that he would be able to enforce the covenant without any difficulty for a period of many years. If the property is freehold, there may be difficulties in the way of anybody actually enforcing the covenant, but, assuming that anybody can at present do so (and if the builder owns land in the neighbourhood he can certainly do so), you could only reckon to be free from the covenant after something like a period of 20 years.

Golden handshake plus

Could you tell me whether the £5,000 tax free golden handshake can be received more than once and what restrictions, if any, apply?

If golden handshakes are received in respect of unconnected employments, the basic £5,000 exemption applies to each one. On the other hand, there are complex provisions which effectively limit the total basic exemption to £5,000 for all golden handshakes received in respect of associated employments, that is where the employer is the same or the employers are connected by common control, succession to a business, etc. The various restrictions are too lengthy to deal with in detail.

A building allowance

Mr. and Mrs. X owned a freehold factory which they had let for many years, rent free, to their wholly owned company. From time to time the company has added to the buildings at it's own expense. The company received Industrial Buildings Allowances in computing it's taxation. Owners sold the freehold last year and the new owner granted a lease to the company which remained in the premises. The questions which arise are does the company have to repay Industrial Building allowances? Does the company continue to claim? To calculate his Capital Gain, does Mr. X include in the cost the money spent on additions by the company? Who gets Industrial Buildings allowance henceforth?

From the brief details given, it appears that the company should be regarded as retaining its relevant interest (as defined in section 11 of the Capital Allowances Act 1968) and should consequently continue to receive industrial buildings allowances in respect of its qualifying expenditure.

The expenditure borne by the company cannot be taken into account by Mr. and Mrs. X in calculating their capital gain on the sale of the freehold. Although they own the whole of the company's share capital, its expenditure is not theirs.

It is not possible to be dogmatic in the absence of detailed background information, but presumably the company's accountants will be best placed to advise the company's directors (who doubtless include Mr. and Mrs. X).

Common and joint tenancy

In the case of a joint tenancy as compared with a tenancy in common, could you clarify the position as to disposing of either of these interests by will? What is the estate duty position? What happens if property is sold during the tenants' lifetime? In the case of a tenancy in common does this mean that each tenant has an equal share? Does the same apply to a joint tenancy?

In the case of a tenancy in common the legal estate will be held on a joint tenancy although the beneficial interest is held as a tenancy in common. The individual interests in the property will not necessarily be in equal shares. Estate duty (now capital transfer tax) would normally be payable on the value of the deceased's share. In the event of a sale prior to death, the proceeds would be divided in proportion to the shares held, which may or may not be 50-50.

Regarding a joint tenancy, joint tenants have unity of interest, so each has an equal share in the rents and profits of the property, and is not dependent upon the proportions (if any) in which they contributed towards the purchase price. Tax is usually payable on the value of the share which goes to the surviving joint tenant (for example 50 per cent. where there were two joint tenants). When one joint tenant dies, provided he has not severed the joint tenancy and turned it into a tenancy in common, his interest passes automatically to the surviving joint tenants. The survivor's right to the deceased joint tenant's share cannot be defeated by a disposition in the deceased's will, and provided it is an equitable joint tenancy, will take effect even if the deceased paid 90 per cent. of the purchase price of the property.

It is a simple matter for a beneficial joint tenant to turn his share into a "tenancy in common." Unless he does this, he cannot leave his share in the joint tenancy by will. The simplest method of effecting a severance (turning the joint tenancy into a tenancy in common) is for the joint tenant who wants to sever to give to the other joint tenants notice in writing of his desire. He will then hold his equal share (as a joint tenant he could not have a 90 per cent. share) as a tenant in common.

Shares sold abroad

I am a U.K. citizen resident abroad and wish to sell some foreign shares. Can I obtain the premium? What would happen if instead of selling the shares, I gave them to my daughter, a U.K. resident, and she later sold them?

Securities held by individuals who are non-resident of the U.K. for exchange control purposes cannot be sold through the currency premium market. The price you would receive on sale of your shares would, therefore, exclude the premium. Moreover, in principle the situation would not be changed if you transferred the shares to a U.K. resident, your daughter. The shares would be subject to restriction requiring official permission for sale, which would normally be given only for their sale for foreign currency for exchange into sterling at the current official exchange rate. On current practice, this restriction would be for an indefinite period.

However, we suggest that you consult your bank over the precise position, and particularly to check your own status under the exchange control rules.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

Tax on managed bonds

In June to September 1972 on retirement I invested a considerable part of my capital in managed bonds, with 6 per ce nt. withdrawal. As all dropped in value, I only made two semi annual withdrawals, in 1973, but I cannot afford to continue to do this Can you tell me what the tax position will now be?

The new simplified provisions for partial surrenders of single-premium bonds (contained in part IV of schedule 2 to the Finance Act, 1975, as amended by clause 37 of the current Finance (No. 2) Bill) do not apply to bonds in existence on March 19 until after their next anniversary. In your own case, therefore, your oldest bonds are just becoming subject to the new rules.

Briefly, there will be no tax liability if the withdrawals in the year beginning with the anniversary (say from June 20, 1975, to June 19, 1976) do not exceed 5 per cent. of the cost of the bond. The 5 per cent. limit is cumulative from the anniversary (for example, if there were no withdrawals in the year to June 20, 1976, 10 per cent. could be withdrawn in the year to June 20, 1977), but unfortunately you get no credit for having made no withdrawals in 1974 or during the part of 1975 falling before the anniversary of each bond.

If tax is paid on gains on partial surrenders but eventually (in 1992) there is a loss, tax relief is to be given (by adjusting your 1992/93 higher rate and investment income surcharge liability) on the amount of the loss or the total gains previously taxed, whichever is the less.

The legislation, though simpler than before, is still complex. Perhaps it will suffice for you to bear in mind that, if your annual withdrawal on each bond (calculated from the date of its anniversary) is no more than 5 per cent. of its cost, you should have no tax consequences to worry about until 1992.

Insurance

One man in four

BY JOHN PHILIP

LAST WEEK at a symposium on disease and the environment organised by Liverpool Medical Students' Society, Professor Rose of St. Mary's Hospital, London, gave his audience a few statistics which I think should be passed on not only to husbands and fathers but also to wives. Professor Rose declared that one man in six has a heart attack before he retires and that one man in 12 dies from one before retirement: for every fatal road accident (and there are some 7,000 in Britain every year) there are about 20 fatal heart attacks.

Three causes

In passing it is worth mentioning that Professor Rose itemised three main causes of heart attack — a high fat content in the diet, lack of physical activity, and cigarette smoking And he reckoned that if cigarette smoking could be totally banned in Britain there would be a reduction of one-fifth in the deaths from heart attack.

Of course it is trite to point out that we must all die from some cause or other. What Professor Rose was saying about cigarette smoking is that some 30,000 people a year die prematurely — a figure which was increased to 50,000 a year in debate in the House of Commons last Tuesday, by the Minister of State for Health. On the subject of cigarette smoking and other health hazards, the Minister has promised a consultative paper.

All of which goes to show that life insurers when underwriting proposals are fully justified in enquiring about our smoking habits and perhaps should ask more questions about our eating habits and sporting activities as well. But this is by the way because the statistics that caught my eye were that one man in six has a heart attack before retirement and that 50 per cent. of those so attacked die in consequence.

From the heart attack aspect the odds are clearly too short for any husband or father not to do his best to have adequate life cover to protect his wife and family. But I am minded of another statistic for which I fear I cannot give any immediate chapter and verse, which is that out of any group of men aged 30, one man in four will die before retirement. And so when the possibility of death is considered, not just from heart attack but from any cause, including accident, the odds are much much shorter.

In this year of raging inflation these are odds which no man can afford to ignore when reviewing the life cover that individually he has; and even though, at last, there is governmental action to damp down the rate of inflation at least for the next few months, it is reasonable if one has not reviewed the adequacy of cover since say Christmas 1973 now to raise one's life cover by 50 per cent.

Need for review

This figure of 50 per cent. will be sufficient only if one's last review of adequacy was made no more than two years ago and in consequence of that review adequacy had in fact been achieved. And it assumes that personal circumstances have not changed in the meantime — the man who has in this period achieved positive improvement in his income in real terms by promotion, must take this into account as well. So a 50 per cent. increase may not be nearly enough.

Unarguably, adequacy ought in theory to be determined, not by having regard to how much one's dependants need to-day to maintain their accustomed standards, but, with an eye to the future, how much will be required in five years' time, even in 10 years' time, assuming that one has no further opportunity to top up cover.

Remember, an inflation rate of 30 per cent. a year halves the value of the money and therefore of cover in less than three years. Obviously theory and practice must diverge and with the best will in the world, with all the demands on the pocket, there are few who can have sufficient cash to buy now the cover that such calculations postulate. In theory one should fix on a sum that is adequate here and now and perhaps double, treble or even quadruple it depending on one's degree of personal pessimism as to the long term inflationary prospects. In practice this is impossible.

If annual inflation is brought back to 10 per cent. in the coming months and reduced still further by 1977 we shall all be able to sleep more easily, and perhaps allow ourselves the luxury once again of spending some of our income on the most expensive of life cover (comparatively speaking)—endowment assurance. But for the present and for the coming months, whatever kind of life cover any of us already have, the answer to all [illegible] problems must be term assurance, which in comparison even with whole of life cover, unless the purchaser is of advanced years, is much less costly.

This is because a term assurance policy only pays if the life assured dies during the period of cover. So if he survives the period he may well argue that he has spent money to no good purpose, but this discounts the peace of mind that stems from the knowledge that wife and children or other dependants have enjoyed a high degree of protection and ignores the odds I have mentioned earlier—that before retirement one man in twelve will die from a heart attack, and that another twelve will die from some other cause. Until one has survived retirement it is impossible to determine to which group one belongs.

Forward costing

The basic form of term assurance provides a level sum assured throughout the period of cover, which is partly why I said earlier it is theoretically desirable to attempt to cost forward inflation in determining adequacy. There are also marketed a number of term policies with escalating benefits which give some hedge against inflation when it runs in single figures, but cannot be of much avail against a 25 per cent. to 30 per cent. rate.

There are convertible term policies which give the life assured the option to increase or change cover without further medical evidence. And there are decreasing term assurances, which usually appear as family income policies, paying an annual (untaxed) sum from the date of death for the remaining duration of the period of insurance. One or more of these at the present time is, in my view, the best life assurance buy.

TAXATION AND THE INVESTOR

The continuing attack on capital

BY JOHN CHOWN, TAXATION CORRESPONDENT

READERS will remember that last August the Government published a Green Paper on Wealth Tax. A Select Committee of the House of Commons was set up to take evidence and to recommend the form that any Wealth Tax should take. The present Government has repeatedly made clear that (so long as it retain office) the question of *whether* a wealth tax introduced is outside the terms of reference of the Committee which is to advise merely on the form of such a tax.

The whole idea may seem very bad news indeed to readers who in the last year or so have seen the introduction of the wantonly destructive Capital Transfer Tax and an increase even in nominal income tax rates at a time when fiscal drag resulting from inflation was already forcing effective rates to insupportable levels. We have seen a capital gains tax uncorrected for inflation which is itself a hidden wealth tax and a 98 per cent tax rate on paper investment income at a time when real investment yields are substantially negative.

Who needs yet another tax to pile on an already insupportable burden? Yet there is hope that the idea of the Wealth Tax and the setting up of the Select Committee, will do more good than harm. I will explain my paradox in a moment.

Inequitable

I showed, two weeks ago, that flat percentage *gross* salary increases designed to compensate for price increases had widely disparate and inequitable effects in terms of after tax real income. This warning has proved timely. Fortunately other newspapers have taken up the theme and the message is getting across.

Some form of incomes freeze may well be necessary to administer a short, sharp shock to an inflation which has been allowed to get out of hand, particularly at a time when it is coming under control in countries with even moderately responsible and competent governments. We may have to accept (temporarily) the injustices and inefficiences of such a freeze. Once the initial medicine has worked, we must remember that the long-term health of our country may well depend on restoring the ravaged real incomes of our wealth creators back to international competitive standards.

Yet all is not lost. The members of the Select Committee, regardless of party, are given an opportunity of seeing what high taxes are really doing to the useful and creative people of this country. The message is starting to get across that our envy-based tax system is perhaps the most important single factor inhibiting the growth of our economy and the prosperity of us all.

Economists make a distinction between an "additive" and a "substitutive" wealth tax. The Green Paper, and therefore the terms of reference of the Select Committee, allow discussion of both. An *additive* wealth tax would be one piled on top of existing taxes and would be a real extra burden and be intended to be paid out of capital—that is, to destroy the very wealth that is being taxed.

As with CTT the effect would not be to spread wealth but further to concentrate power over resources—and therefore over the daily lives of ordinary men and women—in the hands of an arrogant and over-bearing State machine.

A substitutive wealth tax is, as its name implies, a substitute for other taxes. Historically indeed the only advanced industrial countries which have wealth taxes (for instance Germany, Holland and the Scandinavian countries) introduced them at about the same time that the United Kingdom began taxing investment income rather more heavily than earned income.

Governments felt, rightly or wrongly, that a man with an income of £5,000 per annum derived from a capital of £100,000 had a higher taxable capacity than a man with no capital but a salary of £5,000. We chose to impose a rather higher tax on the income; other countries continued to tax the income at the same rate but imposed a separate and additional tax on capital itself. A tax on capital coupled with the abolition of investment income surcharge would not necessarily be a bad trade off but, as a reform, would not go nearly far enough.

One message that is certainly getting across to the Select Committee is how much higher—how very much higher—are our taxes than those of our competitors including our eight EEC partners.

Nominal taxes are higher, in most cases far higher than in competitive countries, particularly when we make the comparison (as we should) in terms of net marginal take home to the citizen.

The top rate of tax on *earnings* in the United Kingdom is 83 per cent. compared with 71 per cent. in the Netherlands and 50 per cent. in Germany. The Netherlands is a high tax country by most other standards and the difference between 83 per cent. and 71 per cent. may not seem very striking at first sight. It is in fact the difference between 17 and 29 in reference to the individual—almost twice as much, while the German top executive keeps nearly three times as much out of his top earnings as does his British counterpart.

Similarly with capital taxes. Estate duty, it was said, was voluntary, a fact which alone excused the confiscatory rates at which it was imposed. CTT was intended to be an enforceable tax but at rates which are not dramatically lower.

Obviously nominal rates are not the whole story. Nominal rates which are not enforced do neither harm to the payer nor good to the Revenue. They may bring the law into disrepute and they may result in serious injustices to individuals but that is another story. But even before these actions of the present Government, capital taxes collected per head of population in the United Kingdom were 2¼ times the European average and (allowing for differences in the standard of living) between three and four times the European average in terms of proportion of gross national product. These figures are official, based on a Parliamentary answer and on figures of actual collections for 1971.

Disheartening

There is no doubt whatsoever that the heavy taxation of enterprise and a system which makes it increasingly disheartening for anyone who wishes to build up his own business and to seek to pass it on to his heirs are distorting the economy of the U.K. All the real complexities of the tax system, most of the inequities and much of the cost of collection stem from these attempts to impose a heavy burden at the top.

What contribution then do these taxes make to the standard of living of the ordinary man, to the provision of public services and to the prediction of the less fortunate members of the society? The answer in effect is "nothing."

The total yield of higher rate taxes, investment income surcharge, capital gains tax and death duties is less than 2 per cent. of the total revenue collected. The total of all these taxes taken together is of the same order of magnitude as the increase in basic rate income tax as a result of this year's changes.

If all incomes in excess of, say, the £100 per week that the miners are claiming and the total yield from privately owned capital were confiscated and re-distributed, the amount available for those not paying the tax would be less than the fruits of one year's normal growth of a reasonable dynamic economy—the growth that is denied by these very taxes.

My guess is that if we were to sweep away all capital taxes and all income taxes at rates in excess of the basic rate, even the loss of revenue would be made good by the resulting increase in dynamism and therefore of the tax base. No one else would have to pay any more taxes as a result of the change and no one would be denied any social services. The benefit to the prosperity of the ordinary man would be dramatic.

I am not necessarily advocating such a sweeping change which would reverse the competitive comparison with our neighbours. However, a ceiling rate of tax of 50 per cent. on earned income and a ceiling rate of 75 per cent. total taxes, including any wealth tax, on investment income is a not unreasonable target and it is a target which will bring us more into line with our competitors. Such tax rates would not be incompatible with a reasonable rate of wealth tax, say 0.9 per cent.—the average rate of those European countries which impose such a tax.

Indeed there is a sound case, in pure economic theory, for such a tax although I doubt whether it is really worth the inconvenience and cost of collecting.

It is not incompatible with a reasonable rate of tax on transfers to the next generation provided that any such tax is at a rate which enables family businesses to be retained intact for so long (and only so long) as they are dynamically and efficiently run, whichever generation happens to be in charge. I think the Select Committee may well be exposed to such a view.

It is, of course, as I said in my last article, vitally important that the tax system be indexed whether or not we succeed in our target of reducing the rate of inflation. I would also like to propose very strongly that the capital value of pension rights be included in any wealth tax. This would be equitable between the employee and the self-employed with his assets in his own business, but I also make this proposal in the same spirit in which Sir Alan Herbert once brought an information against the Kitchen Committee of the House of Commons for serving alcoholic refreshments out of permitted hours.

His aim, of course, was not to prevent Members of Parliament drinking whenever they wished to but to ensure that MPs themselves were not sheltered from the laws they were imposing on others, in the hope that thereby he might succeed in having these laws changed. The best way to get a bad tax repealed may be to enforce it. The best way to remove the threat of a wealth tax is to ensure that it is imposed on those who will be responsible for collecting it.

CHESS BY LEONARD BARDEN

KARPOV'S SCORE of 11 out of 15 in the recent Ljubljana tournament was even more impressive than it sounds.

Two significant strategies emerge from Karpov's play and his recent interviews. First, he is pointedly (at Bobby Fischer) demonstrating his readiness to be an active world champion, competing in major events and giving exhibitions. Following Ljubljana, he gave a dozen simultaneous displays against strong opponents (Fischer's last simuls, given for a reported $20,000 a time, took place in 1971).

The second significant aspect of Karpov in Ljubljana was his ability to go for a win with the black pieces. Peter Markland's new paperback *The Best of Karpov* (OUP, £1.95) makes the point that on his way to the top Karpov relied on scoring very heavily with his special repertoire with White (his favourite is the Ruy Lopez, blocking the centre of the board by advancing the QP to Q5) and made much less effort with Black.

To play for a win with Black in master chess often involves risks. If you are trying to beat a well prepared opponent who has White, plays sensibly, and refuses to compromise his position, then there are basically only two ways of doing it. One is the technique of the grind-them-down school whose leading exponent is the Swede Ulf Andersson; these players will nurse a small advantage with Black into a second or even a third session, hoping that skill in the endgame plus a flagging opponent will do the trick.

The other approach is some variation of the get-me-if-you-can approach originated by Lasker during his reign as world champion and also favoured by Bronstein and Tal. There the would-be winner chooses a provocative formation, gambitting the centre squares and the initiative like a tennis baseliner conceding the net position or a spin bowler offering runs for the chance of a wicket.

This week's game shows Karpov using this technique—the result is one of his best wins at Ljubljana.

White: L. Musil (Yugoslavia). Black Anatoly Karpov (Soviet Union). Ljubljana, 1975. Opening: Sicilian Defence, Kan system.

The opening moves were 1 P-K4, P-QB4; 2 N-KB3, P-K3; 3 P-Q4, PxP; 4 NxP, P-QR3; 5 B-Q3, N-KB3; 6 0-0, P-Q3; 7 Q-K2, P-KN3; 8 P-QB4, B-N2; 9 N-QB3, 0-0; 10 B-K3, Q-B2; 11 QR-B1, QN-Q2; 12 P-B3, P-N3; 13 Q-KB2, B-N2; 14 KR-Q1, N-R4; 15 B-B1, QR-B1; 16 R-B2, KR-K1; 17 R(2)-Q2, B-B1.

Karpov's gambit here is Black's pawn formation. Playing P-K3 and then developing Black's king's bishop at KN2 is usually dubious because the QP becomes too weak. But Karpov tempts White to abandon his solid play in favour of a tactical swipe at the weak pawn.

18 N(4)-N5, PxN; 19 NxP, Q-N1; 20 NxP, N-B4.

If 20 . . . BxN; 21 RxB, N-B4; 22 RxNP and White's pieces are active; by giving up material, Karpov takes the initiative.

21 NxKR, RxN; 22 P-QN4?

This weakens the queen's side and lets the black knights dominate; 22 P-QN3! is better.

22 . . . N-R5; 23 P-QR3, B-B3; 24 R-B1, Q-B2; 25 Q-K1, R-B1; 26 Q-Q1, B-K1; 27 Q-N3, P-R3; 28 R(B1)-Q1, P-KN4; 29 B-B2, N-B5; 30 B-N3, B-N2; 31 Q-K3, R-R1; 32 R-B1, B-K4; 33 B-B2, N-N3; 34 P-N3, Q-K2; 35 Q-N3, Q-B3; 36 K-N2, P-R4; 37 R-Q3, P-R5.

Karpov has handled the middle game in an impressive all-court style which keeps the option of a break-through on either flank. Now White, under pressure, droops just before the move 40 clock control.

38 B-K2? (R-K1) B-B3; 39 K-N1, N-B5! 40 R-Q2 (40 PxN, QxBP threatens both QxP ch and QxR ch), N-B6; 41 PxN, QxP; 42 RxN, QxRP ch; 43 K-B1, Q-R8 ch; 44 B-N1, B-R7; 45 Resigns.

White's position falls apart after 45 K-K1, QxB ch; 46 B-B1, B-N6 ch; 47 K-K2, Q-B7 ch.

POSITION NO. 70

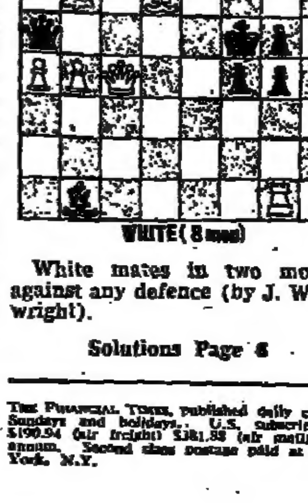
BLACK (10 men)

WHITE (10 men)

Missed opportunities by the masters are always interesting. In a recent tournament Vlastimil Hort (White, to move), winner of the Hastings congress, here played 1 NxB. Problem: spot what grandmaster Hort overlooked.

PROBLEM NO. 70

BLACK (9 men)



WHITE (8 men)

White mates in two moves, against any defence (by J. Wainwright).

Solutions Page 6

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APPOINTMENTS

Executive post at Associated British Foods

Mr. Patrick L. Donovan has been invited to join the Board of ASSOCIATED BRITISH FOODS. He has also been appointed chairman of Allied Mills Holdings, in addition to his duties as managing director of the milling division.

★

Mr. G. N. A. Murrant has been appointed chairman of the ECONOMIC INSURANCE COMPANY following the retirement of Lord Beeching. Mr. Murrant is deputy chairman of the Furness Withy Group, of which the Economic Insurance Company is a wholly-owned subsidiary.

★

Mr. M. F. Sanderson has been appointed executive chairman of LOWE & BRYDONE (PRINTERS). Mr. Sanderson, formerly chairman of Bovis, has been a director of Lowe & Brydone since his private company, Ambion Holdings, acquired a 53.68 per cent. holding in 1973. Mr. J. P. R. Brydone, who resigns as chairman, takes on the newly-created role of vice-chairman. Mr. D. G. Evans, a director of Ambion Holdings, becomes a non-executive director of Lowe & Brydone.

★

Mr. G. H. Ratcliffe has been appointed managing director of OCEAN INCHCAPE, following the retirement of Mr. P. R. Drew. Mr. T. M. Forgan will continue as non-executive deputy chairman of the company. Mr. Ratcliffe was previously deputy managing director of Ocean Inchcape, a joint company formed in 1971 by Ocean Transport & Trading and Inchcape & Co.

★

Mr. Innes Carr has been appointed group treasurer of FISONS, following the departure of Mr. P. Bickerton, who is leaving the Group to take up an overseas appointment. Mr. Carr, who assumes the responsibilities hitherto borne by Mr. Bickerton as group finance manager in addition to those he holds at present, joined the Group in 1974. He was previously European controller for the Mennen Company of Morristown, New Jersey, U.S.

★

Mr. Clive R. Kelly has been appointed managing director of EMI Holdings (S.A.) (Pty.), and will be responsible for the day-to-day management of EMI's various interests in South Africa. He was previously manager, international copyright.

★

Mr. T. R. Fairgrieve, Conservative MP for Aberdeenshire, W, has been appointed a non-executive director of WILLIAM BAIRD AND CO.

★

LESLIE AND GODWIN (HOLDINGS) has announced the following appointments to the Boards of subsidiaries. Mr. J. S. Elliot, Leslie and Godwin (Life and Pensions); Mr. P. A. English, Leslie and Godwin Agencies; Mr. P. R. Churchill, Leslie and Godwin (U.K.); and Mr. B. G. Hayden, Leslie and Godwin (U.K.)

★

Mr. C. S. Dunn has been appointed to the Board of INTERNATIONAL TIMBER MARKETING. Mr. Dunn was appointed secretary of Horsley, Smith & Co., a subsidiary, in 1967 and became a director in 1969.

★

Mr. E. R. R. Mengham and Mr. I. K. Gordon have been appointed directors of TUNNEL BUILDING PRODUCTS. Mr. E. R. R. Mengham and Mr. T. C. Ivens have been appointed directors of PLANIMEC. Both companies are subsidiaries of TUNNEL HOLDINGS.

★

Mrs. Denise Bennett has been appointed managing director of TEMPLESTOCK. Mrs. Bennett was previously managing director of the ADM Systems division of the ADM group.

★

Mr. John L. Wragg has been appointed a director of WINCOTT GALLIFORD and will continue as chief estimator.

★

Mr. J. E. Hinde has been elected chairman of the CONTROL AND AUTOMATION MANUFACTURERS' ASSOCIATION succeeding Mr. H. E. Levy, who now becomes vice chairman.

★

Mr. F. H. Ferris, managing director of Federal Electric, has been elected vice-president of FEDERAL PIONEER ELECTRIC, of Toronto, Canada, the parent company.

★

Mr. Alan G. Cooper has been appointed managing director of SPRAGUE ELECTRIC (UK).

★

Mr. N. G. Brodrick, an adviser in the Economic Intelligence Department of the BANK OF ENGLAND, will become agent at its Liverpool branch from September 1 on the retirement of Mr. B. H. Bedford. Mr. D. A. C. Nendick, an assistant chief cashier, is to be agent at the Birmingham branch from October 6 on the retirement of Mr. S. F. Blackler.

★

Mr. Alec Stenson has been appointed a director and chairman of G. A. Robinson Group and the name of the company has been changed to KWIK-FIT (TYRES AND EXHAUSTS) HOLDINGS.

★

Mr. D. D. Wright has been appointed a director of GARDNER MOUNTAIN AND CAPEL-CURE AGENCIES, a subsidiary of the Hogg Robinson Group.

★

Mr. A. T. W. Harvey has been appointed a director of DE VERE HOTELS AND RESTAURANTS.

هكذا من الأجل

Motoring

A challenging Renault

BY PETER FOSTER

IF EVER a new car was thrown into the motoring equivalent of the deep end, it is the Renault 30TS. Already introduced in France and due to come to the U.K. in September this new top-of-the-range model from the French nationalised car giant is being launched into a particularly dull area of a depressed car market, and an area already well supplied with similarly priced saloons of luxury specifications, such as the Granada Ghia and the Opel Commodore.

Nevertheless, the 30TS presents a thoroughly well thought out and attractive package with an almost unprecedented list of standard equipment including power assisted steering, quartz iodine headlights, reversing lights, heated rear window, laminated windscreen, electric front windows, electro-magnetic door locks and inertia reel belts.

The car is powered by the new light alloy V6 engine developed jointly by Renault, Peugeot and Volvo in France. The unit is already used in the Volvo 264—although with fuel injection as opposed to the twin-carburettor configuration of the Renault—and in the V6 Peugeot 504 as well as in the new 604. Its light and compact construction has enabled Renault to design a big car with front wheel drive which avoids being nose heavy.

I drove the 30TS recently in France and was most impressed by its combination of front wheel drive and power steering, which makes the car extremely light but responsive, while the long-ride independent suspension provides a ride of truly Gallic softness and comfort.

The lines of the car are extremely pleasing on the eye and very much in the main stream of aerodynamic "wedginess" seen in the models designed for Volkswagen by Giugiaro and also in the new British Leyland 1800/2200 series. The fifth door and the different back seat configurations possible — wheih number no less than 7 — give the car a flexibility of load carrying well ahead of anything else in its class.

Perhaps surprisingly, automatic transmission is not standard on the 30TS, although the new 141 unit specially designed for the car is exceptionally smooth and should prove highly popular.

One important feature of the new model is its emphasis on safety, which has obviously evolved from Renault's extensive expenditure on research and experimental safety vehicles. The 30TS features a body shell designed for "progressive deformation," which cushions impact, and also has a strengthened passenger compartment as well as power assisted twin circuit braking.

All the major manufacturers have placed great emphasis over the last couple of years on safety research and the latest round of models all incorporate extensive safety features. The 30 TS was developed in tandem with the Renault experimental safety vehicle, which it closely resembles and which is currently being taken on an exhibition tour of the U.K.

But although Renault describes its design as only "functional," it manages to conceal its ability to hit solid objects at high speeds perhaps rather better than, for example, the tank-like if not graceless Volvo 264.

The main impetus towards safety vehicles originated at a time when petrol was a good deal less expensive than it is now. With hindsight it is by no means certain, and indeed unlikely, that enthusiasm for building such necessarily heavy cars would have been so great. Nevertheless, the 30 TS manages to combine safety with excellent handling characteristics.

Over a mixed route in France, the 30TS showed that it has the balance and road holding to handle tight bends—which is largely a function of its advanced suspension, front wheel drive and carefully thought out load distribution—as well as the ability to cruise effortlessly at 100 mph (which I subsequently learned to be illegal).

Internally, the car offers all the "standard" luxury fittings of deep pile carpet and attractive cloth upholstery. The dashboard and the dial arrangements are a little uninspiring but everything is within easy reach.

The car has gone on sale in France at Frs.35,000, suggesting a price of at least £3,500 when the model eventually becomes available on the British market. The automatic will add around another £250, making the 30TS almost exactly the same price as the Granada Ghia and the Commodore. It certainly presents a positive challenge to their markets.

Golf

Cole adds second 66

BY BEN WRIGHT

CARNOUSTIE, July 11.

THE MOST brilliant burst of low scoring in the history of the event caused the 104th *Open Championship to be as* wide open as ever when the third round was completed here this warm, tranquil evening. Conditions at this great links have never been so calm, and have produced 34 rounds below 70 already, obviously with more to come.

The 27-year-old South African, pencil-slim Bobby Cole, who won the Amateur Championship *here as a tender youth of 18 in* 1966, handed in his second successive 66 to add to a level-par first round of 72 to lead by *one stroke at 204, 12 under par.*

Breathing down his neck is the British Match Play champion, Australia's Jack Newton, whose third round of 65 smashed Cole's day-old record and—added to his previous rounds of 69 and 71—gave him a total of 205.

And since the brilliant Australian was playing in the exalted company of Jack Nicklaus (69, 71, 68—208), *Newton's feat was all the more* memorable. But this most engaging young man was quick to praise his partner for putting him completely at his ease, and Newton added wryly that this is very different from the treatment he has received from some other great golfers with whom he has been paired in the past.

The fireworks we have come to expect from the mercurial *Johnny Miller* were duly produced as the slender, blond Californian raced into the picture with an outward 31 and *posted a 66 alongside his previ-*ous rounds of 71 and 69 to stand alone two shots off the lead at 206.

He *is followed immediately* at 207 by his stocky countryman Tom Watson, who has had rounds of 71, 67 and 69.

Group of five

Flying a virtually solitary *flag for Britain is the ever-*dependable Neil Coles, whose superb 67 to-day puts him in a group of five at 208, eight under par. The *others are* Nicklaus; 1974 U.S. Open champion Hale Irwin (69); U.S. Open championship runner-up John Mahaffey (69); and the up-and-coming 21-year-old South African, burly blond Andries Oosthuizen (70), who made a comprehensive mess of the final hole, bunkering his drive, and visiting the dreaded Barry Burn with his second shot to close with a tragic six.

One feels that the destiny of the coveted jug lies between the group of players already mentioned, but Peter Oosterhuis *and another blond Californian* Alan Tapie, in his first year as a touring professional in America, must have outside *chances at 209, as has Austra-*lia's Graham Marsh at 210 and, perhaps, even Scotsman Bernard Gallacher at 211.

With all the pressure upon his broad shoulders, the overnight leader David Huish, the club professional from North Berwick, slumped as one might have expected to a 76, and is out of it now bar a miracle at 212, alongside Irishman Paul Leonard.

Grip change

Cole has laboured for nine years on the U.S. tour with no success in terms of victories. But on the advice of the American professional John Schlee, the New Zealander John Lister and another American, Ron Luxton, Cole has recently changed his grip completely—as did Ben Hogan—from what is known as the long left thumb to the short in recent weeks.

Since Cole was runner-up to Irwin in the Western Open in Chicago two weeks ago it was surprising to see him offered at 100-1 here, particularly since *he was in the top ten in this* championship at Royal Lytham last year.

The real change in Cole's *game is the firm position that* he can now achieve at the top of the backswing, whereas before this was much too sloppy. Since he makes such a vast shoulder turn such deficiencies caused him to hit the wildest imaginable shots under pressure, but there are *now signs* that Cole is belatedly about to fulfil all his early promise.

He holed puts of 12 feet and eight feet respectively on the first and third greens to open his birdie account. He bunkered his drive at the fifth to drop a shot, but got up and down from sand at the long sixth for a third birdie. A fourth birdie followed at the short eighth with a 7-iron shot and 12-foot putt and he *turned* in 33.

Brilliant birdies at the 11th, 13th and 14th gave him a chance *to lower his own record, but he* pulled a two-iron into the 17th green and chipped strong, dropping a shot. His play at the *final hole, however was superb.* This frail-looking youth hit a perfect drive and cracked a six-iron right on line 12 feet from *the hole before nonchalantly* rolling in the putt for a final birdie.

Newton had finished only minutes before. He also had birdied the 1st and 3rd—from 18 and 12 feet. He had a third birdie at the 7th, with a three-iron, eight-iron, and a 9 foot putt and, like Cole, was out in 33.

The only blemish on his card came at the 10th where he bunkered his three-iron shot alongside the green to drop a stroke to par.

But Newton brilliantly birdied the next four holes and grabbed another with a 20-foot putt at the 17th for an inward half of 32 and the record.

Inspiration

Miller's marvellous outward *half could have been even* better, for although he recorded birdies at five of the first seven holes he missed from 12 feet for a birdie at the 3rd and shaved the hole from 30 feet with his birdie putt at the 4th.

One feels that Miller's brilliance when the inspiration takes him—and the vast experience of Nicklaus at winning major titles—will possibly carry the day to-morrow in the *face of their less experienced* rivals, although the chances of my own selection Irwin must be rated highly on the score of *class.*

Watson is so prone to hook under pressure that one distrusts his chances of survival. *To-day, for instance, he drove* out of bounds to the left of the ninth hole and took 6 to be out in 34. And although he got it going again on the inward half he played loose shots when under pressure to drop strokes at the sixteenth and eighteenth. His time is bound to come, however.

Bridge

Two kinds of sixes

BY E. P. C. COTTER

THE FIRST of to-day's hands comes from a rubber of good *standard, and it shows how* attention to small cards can be vital:

N.
♠ A 10
♥ K 5 3
♦ 10 6 5 2
♣ 8 6 4 2

W.
♠ K Q
♥ 7 4 2
♦ K Q J 4
♣ Q 10 9 3

E.
♠ J 9 7 6 5 4 2
♥ 9 6
♦ 9 8 3
♣ J

S.
♠ 8 3
♥ A Q J 10 8
♦ A 7
♣ A K 7 5

With North-South game, South dealt and bid one heart. North raised to two hearts, which is the best response on his cards, and South carried on to four hearts.

West led the King of diamonds to the Ace, and South cashed Queen and Knave of hearts—he carefully preserved the King as an entry. To the fourth trick he led the seven of diamonds. West won with the Knave, and East, who had played the three on the opening lead, followed with the eight. If East *was telling the truth, if he orig-*inally had three cards in the suit, the nine would fall on the next lead. So, when West switched to the King of spades, the declarer won with dummy's Ace, and at once returned the diamond ten, discarding his losing spade from hand, when he saw East follow with the nine.

The six was now high, and provided that East did not hold the one outstanding trump, would give a home to one of South's low clubs. West tried to cash his spade Queen, but South ruffed, went to dummy with a heart, drawing the last trump, and threw a club on the established diamond.

When the 4-1 break in clubs was revealed, the declarer saw that his setting up of the diamond six had been no mere technical exercise, but an essential factor in the success of the contract, and his satisfaction was enhanced.

The next example might well come from some science fiction, but I am assured that it really did happen:

N.
♠ J 6 4 3
♥ Q 7 6 4
♦ 9 6
♣ Q 9 2

W.
♠ K 9 8 7 2
♥ A J 3
♦ 10 8 7 4
♣ J

E.
♠ A Q 10 5
♥ 9 2
♦ 3 2
♣ K 7 6 5 3

S.
♠ —
♥ K 10 8 5
♦ A K Q J 5
♣ A 10 8 4

At a love score West dealt, and after three passes South opened the bidding with one diamond. West overcalled with one spade, and North said double. This was not a penalty double, but an anaemic responsive *double. The responsive* double shows tolerance for the unbid suits and announces about ten points. With only five *points and no distribution* North had no occasion to do anything but pass. East jumped to three spades, and South, not knowing that his partner had defected to the other side, jumped to six hearts—not an unreasonable decision—and all passed.

West led the seven of spades to the Ace, and South ruffed with the five of hearts, following with the King. West took and led another spade, forcing the declarer to ruff with his eight. The ten of hearts came next, West played low, and East's nine was scooped.

Now the declarer cashed four top diamonds, West having to follow all of them, and dummy's two spades were discarded. The fifth diamond was led. West threw a spade, and dummy ruffed with the seven. The Queen of trumps drew West's Knave, and the Queen of clubs came next, picking up East's King, and scooping West's Knave.

They don't come any luckier!

Travel

The many delights of Florence

BY HAROLD CHAMPION

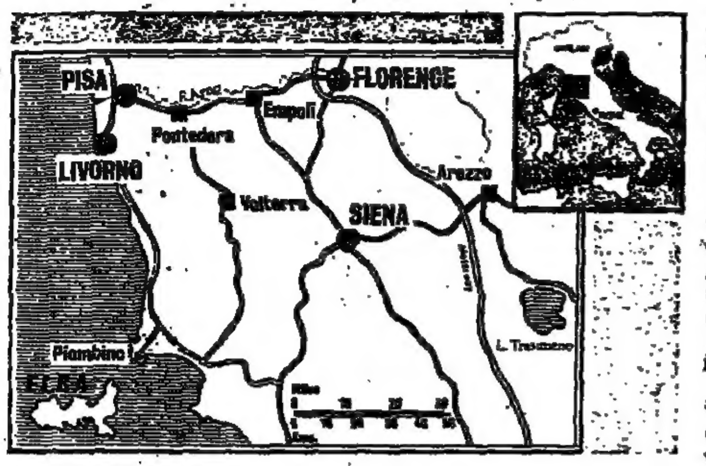
STICK A PIN at random in a map of Italy and you are virtually certain to find an attractive holiday place. This is par excellence a country for tourists—mountains for winter and summer sports, beaches, warm seas and lakes, Rome, of course, and Firenze—Florence—city of flowers of Dante, Petrarch, Boccaccio.

I feel most strongly that it is a mistake to make a hurried dash in and out of this beautiful city: loiter, take your time in exploring, for here are celebrated buildings, architecture, sculpture and paintings. Official literature declares that a three weeks' visit is necessary to achieve a just appreciation of the city's cultural and artistic heritage: however, a week suffices to give a glimpse of what is to be seen and sharpen one's desire for more.

It is not difficult of access, linked as it is by rail to the chief European cities. Airlines, including British Airways, maintain regular services to San Giusto (Pisa) Airport about 50 km. away, thence by rail or hire car.

Quite near are such celebrated places of tourist interest as Siena, Volterra and the resorts around Lake Trasimena. When I headed that way earlier this summer I combined a Florentine exploration with a visit to the beautiful island of Elba reached by ferry in just over an hour from Piombina.

In the Piazza Signoria



As may be expected, restaurants and trattoria abound and are good. In Florence I was fortunate in my hotel, the Astoria in the Via del Giglio—a comfortable room and very good cuisine. I find it difficult to quote tariffs in view of the uncertain state of the exchange so I can only say that my bill for four days for food and drinks only, but not room, was £30 taking the lira at about 1,400 to the pound.

There are many gastronomic delights in the city: don't overlook the Zuppa di Fagioli alla Fiorentian, white beans stewed in tomato sauce with onions, garlic, leeks and celery, slices of brown bread, sprigs of thyme and rosemary—for my taste (I don't think its idiosyncratic) delicious but perhaps not so for those watching their weight.

There's Bistecca alla Fiorintina, a thick beefsteak cooked over charcoal and, of course, fritto misto—brains, sweetbreads, artichokes, courgettes, chops and — you name it they have it — coated with flour and beaten egg then fried in oil. Such dishes can be had in Britain of course, but ah! They're not the same. Very good wines, including some from the Chianti district and which we don't see in this country, are available.

Before touring the city it is well to do a little homework otherwise the significance of some of the ancient and mediaeval buildings will escape you. Of course, there are official conducted tours which are a great help to enjoyment of so complicated a city.

I suggest you begin your sightseeing with the Ponte Vecchio, the oldest bridge in the city and world famous. The original existed in the 10th century but was destroyed by an Arno River flood — the river Arno divides the city in two— in 1333. When this wooden bridge was rebuilt in stone in the middle of the following century Ferdinand the First ordered that it be reserved for goldsmiths. These craftsmen set up their shops on the bridge and their little houses projected over the river, as they still do to-day. The effect is most picturesque.

By the way gold articles are very well designed and made in Italy, and before the current inflation were considerably less expensive than in Britain. But it is not only gold articles that Florence offers. Well-made straw and leather goods, ceramics and glassware, embroidery, linen and elegant lingerie are all fashioned here.

The cathedral of Florence, Santa Maria del Fiore—Saint Mary of the Flowers—is the third largest in the world and is breathtakingly beautiful. Designed in 1296 it was consecrated by the Pope early in the fifteenth century. Among other things it is notable for its multi-colour marbled outer walls: nor did the planners neglect the interior which is of unique design and emotionally moving. A work by Michelangelo described by one authority as stupendous, and another work of his, adorn the nave.

The Florentine-Gothic campanile is considered by many to be the most beautiful in the world. It was conceived and begun by Giotto in 1334 and after his death was carried on by Francesco Talenti and Andrea Pisano. It is completely faced with multi-coloured marble. The Baptistry is another magnificent building. The architect, Lorenzo Ghiberti, worked on it for 27 years.

There are many stately villas and gardens around Florence which may be visited by coach with guide. One of these tours goes to Fiesole, a city which dates from 283 BC. The cathedral here dates from 1,000 and a Roman Theatre, discovered in 1809 was excavated in 1873.

Some of the most attractive villas and gardens are here; one of them, the Villa Tatti, was bought by the writer Berenson early this century: he employed an English architect, Cecil Pinsent, to work on the house and garden. To-day it belongs to Harvard University and is used as a centre for the study of Mediterranean art and culture.

It is impossible to write about Florence without mentioning the Medici, the great Florentine family of the Middle Ages—the Villa di Castello, now owned by the State, was long held to be one of the marvels of their possessions, especially for the garden, described as "the richest, the most decorative, the most magnificent in Europe."

Gardening

Apples for small areas

BY A. G. L. HELLYER

ONE OF THE largest wholesale growers of fruit trees, Matthews Fruit Trees of Thurston, Suffolk, has just produced a wall chart for display in garden centres and similar places showing what the firm considers to be the best sixteen apple varieties for planting in small private gardens.

Order of season

They are arranged in order of season of use starting with the cooking apple Grenadier which, in a favourable year, can be fit to pick by mid-July and continues in season until early October, and finishing with that fine old eating apple, Ashmead's Kernel, which is not ready for use at all until mid-October, is at its peak in mid-winter and without much trouble can be stored until the end of March.

Golden Delicious, an apple much more likely to be familiar to housewives since it is one of the favourite varieties with commercial apple growers, is also included in the list and has an almost identical season, but in the view of most connoisseurs has nothing like as good a flavour as Ashmead's Kernel which really is a quality fruit.

But I think that the reason Golden Delicious has been picked is because it is a very reliable apple which often sets a good crop even when other varieties are cut by spring frost and also often escapes scab disease even when unsprayed. It was for these reasons that I included it when I replanted part of my own small orchard last winter.

But what I think may surprise many amateur fruit growers is that Matthews selected sixteen does not include either Cox's Orange Pippin or Bramley's Seedling, which to many may seem for quality to be respectively the finest eating and cooking apples in existence.

The omission is deliberate and has been made for what I believe are very good reasons.

Cox's Orange Pippin is a difficult apple to grow, a martyr to scab disease unless repeatedly sprayed and also often attacked by canker, especially if drainage is not too good. Commercial growers can manage it by picking their sites carefully and spraying regularly from March to August with powerful machinery. The private gardener rarely has any such options and I for one, having struggled with Cox for nearly forty years, have been glad to replace it with something less troublesome.

The objections to Bramley's Seedling are quite different. It is not in the least difficult to grow; indeed, one of its principal drawbacks as a garden tree is that it grows much too vigorously. I have a tree planted in 1938 which is now close on 40 feet high, out of reach of even the tallest ladder I possess and only tolerated because it is such a magnificent sight in blossom.

It has one of the biggest flowers and really is a very handsome ornamental tree if one has room for anything so vast. It can be kept a lot smaller by grafting it on a really dwarfing stock such as Malling 9 and that is the form in which garden owners who really do want it should obtain it.

Cookers

But Matthews have preferred to replace it with Lord Derby, an old green fruited cooker which is reliable and much more modest in growth, but really will not keep much beyond December.

Two other cookers are recommended, Arthur Turner, ready for use from late August to early November and with notably beautiful blossom, and Rev. W. Wilks, a creamy-coloured apple that can produce immense fruits for baking yet seldom makes a lot of growth and so requires little pruning.

The remaining ten apples, all eaters, are: Discovery, Epicure, Merton Knave, James Grieve, Worcester Pearmain, Red Ellison, Fortune, Egremont Russet, Charles Ross, and Spartan, named in order of their season of use. Quite a lot of these are familiar names and I grow all of them, though I am by no means sure that I will keep Worcester Pearmain much longer. It does not do particularly well with me, possibly because my soil is not sufficiently well drained, and though it is a very handsome apple I do not think much of its flavour.

But many gardeners will not know Spartan and I suspect that very few will even have heard of Merton Knave. Both apples were bred at research stations — Spartan in America, Merton Knave at the John Innes Institute in England.

Spartan has been around long enough to be commercially planted and to have obtained a reputation for itself. Merton Knave is really only just making its debut, is unlikely ever to be much planted commercially as the fruits are too small, but some experts believe it has a great future in private gardens because it seems to be reliable and trouble free. It is one of the varieties I added to my own collection last winter and I am encouraged to see Matthews rating it so highly.

It is interesting to compare the varieties selected for this wall chart with those featured in the Royal Horticultural Society's model fruit garden staged at the Chelsea Flower Show last May. Ashmeads Kernel, Egremont Russet, James Grieve and Epicure appear in both recommendations, but there they part company.

Very old

The RHS included Cox, despite its difficulties and perhaps in deference to the almost universal desire to succeed with this superbly flavoured apple. They also planted Tydeman's Late Orange, a late eating apple that never seems quite to have lived up to its early expectation; St. Edmunds Pippin, an early russet apple which is just about finished by the time that Egremont Russet is ready to eat; Sunset, which is a Cox seedling with some of that variety's good qualities combined with an easier, more disease-resistant constitution; and Sturmer Pippin, which ripens so late that the fruits are often still hanging on the tree after the leaves have fallen. It is a very old apple, but nothing has ever taken its place and not even Ashmeads Kernel will last as long.

SALEROOM

Solid sale of Old Masters

By Antony Thorncroft

A solid sale of Old Masters produced some reassuring prices at Christie's yesterday.

A view of the castello at Naples by Gaspar van Wittel, called Vanvitelli, went to an anonymous buyer for £10,000, comfortably above the £6,000-£7,000 estimate.

Next best price, in the sale which realised £288,427, was the £6,300 from a Belgian buyer for a Jan Steen painting of 16?? illustrating the proverb "Appearances are deceptive." (An admittedly better Jan Steen was sold for a new world record of £88,000 at Sotheby's on Wednesday).

Other good prices were the £4,200 paid by an Italian buyer for a painting of Christ before Pilate by Orazio de Ferrari, sent for sale by the Vicar and Churchwarden of Stephen's Church, Cardiff Docks, and the £5,578 for a pair of Italianate landscapes by Jan Francis van Bloemen.

The same price was paid by Feather for a pair of Biblical paintings by Franz Christoph Janneck.

Sotheby's Continental furniture sale totalled £49,453, with a Spanish dealer giving £4,800 (as against the £1,200-£1,800 estimate) for a 17th-century Spanish walnut cabinet.

Stanley Gibbons concluded a two-day all-world sale of stamps with a total of £54,330. Top price was £2,550 paid for a dragon stamps from Japan of 1871-72. Gibbons also points out that at a time when many salerooms are changing their charges for both sellers and buyers, it is holding its basic commission rate at 10 per cent.

Among attractions in the London salerooms next week is an important watercolour by Turner which has not been seen in public for more than 70 years. The watercolour completed around 1842 is of Lake Lucerne showing the Rigi mountain at sunrise. Ruskin declared: "Turner had never made any drawings like these before and never made any like them again."

It was last sold in 1904 and when it comes up at Sotheby's on Wednesday could run very close the present auction record for a Turner watercolour—£31,000, paid in 1970.

CHESS SOLUTIONS

Solution to Position No. 70. Hort, short of time, missed 1 QxP ch, KxN; 2 Q-R8 ch, B-N2; 3 Q-R4 ch, P-N4; 4 QxP mate.

Solution to Problem No. 70. 1 R-KN3. If 1...PxR; 2 Q-KB1, or if BxB; 2 Q-B8, or if QxNP; 2 Q-Q5, or if P-B6; 2 QxNP, or if P-B8; 2 Q-K6, or if N-N3; 2 QxP (B7), or if PxP; 2 QxP(B4).

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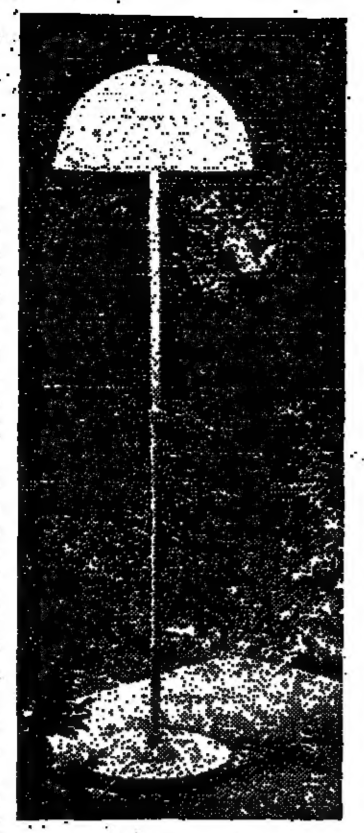
How to spend it by Lucia van der Post

Summer lights



Gray-Campling

FOR SUMMER evenings and eating out of doors there are now more ways than ever before of lighting up the table or the garden. Once upon a time a candle was a white, straightforward utilitarian object, fashioned from wax and designed solely to give light. Now candles have become much more varied—they may be any colour or combination of colours, they may be perfumed with scents, ranging from the sharper scents like pine and herbs to the more floral ones like jasmine and rose. For those parts of the country where insects are a problem candles may also be made with ingredients that repel the insects. Here, then is a small guide to the best of summer lighting.

● Prices's, about the most famous firm in the candle world, have brought out a very pretty patterned glass which is subtly coloured so that the candle, which fits inside the goblet, illuminates the pattern as it burns. The movement of the flame makes it seem as if the pictures on the goblet are moving whilst at the same time the goblet provides an effective windbreak so that it can be used for out-of-door living. Each goblet comes with a candle (which will burn for about five hours) and they cost £1.75 each.

Also from Price's, but not illustrated is a range of small candles which are perfumed with a choice of six different scents—Herb Garden, Sherwood Pine, Cinnamon Spice, Coombe Jasmine, Ditton Violet, Belmont Rose. Just the right size to take each of these candles is a little opaque glass holder which may be either white, red, green, amber or blue. Though the whole package is very small, the glass holder being only 65mm high, the candle 38mm high, a series of them would look very pretty on a dining-table. They, too, can be used very successfully out of doors as the glass holder protects the candle from the wind. Each scented candle is 9p and burns for about 10 hours, each glass container is 31p. Price's candles and candle-holders are widely available, in most good department stores and stationery shops.

● For those who have much larger candles that require a much grander container Selfridges has a summer village exhibition on at the store (it is on from now until September 6) and among the exhibits later on will be the work from Wellington Mill, in Herefordshire. Some of their work is shown here—the candle holder with a lid topped by a bird sells for about £4.30. The plant pot holder is about £2.60 and the ashtray is £1.95. As all these items are individually made by hand there isn't a large supply of them but they and other similar items can be ordered through Selfridges from August 11.

● Still on the theme of candles, you can make your own very cheaply by using terracotta plant pots (they are available from any garden centre or hardware store) and filling them with Kimbles (wax pellets) which sell for 56p per kilo. The Kimbles and the wicks plus all the instructions for making them are available from Candle Makers Supplies, 4, Beaconsfield Terrace Road, London, W.14 (and just to remind readers who may have missed my last note on the subject, Candle Makers Supplies also sell insect repellent ingredients which can be incorporated into home-made candles).

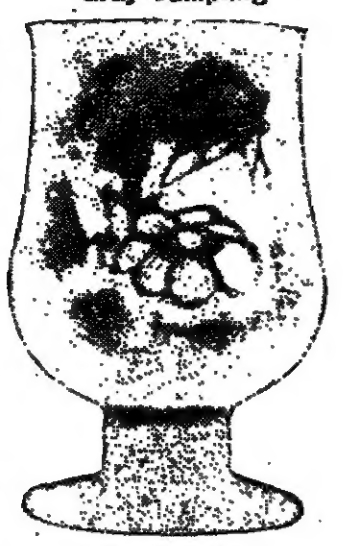
Kimbles Pellets

● If you want to light up your garden in a stronger and more permanent way than by using candles there is now a very good range of outdoor lights on the market. Gray-Campling is a company that specialise in industrial lighting but have now some excellent domestic lighting in their range. All their lights are portable but they need to be placed somewhere near an exterior weather-proof socket-outlet (for all garden lighting I think it is best to consult an expert electrician).

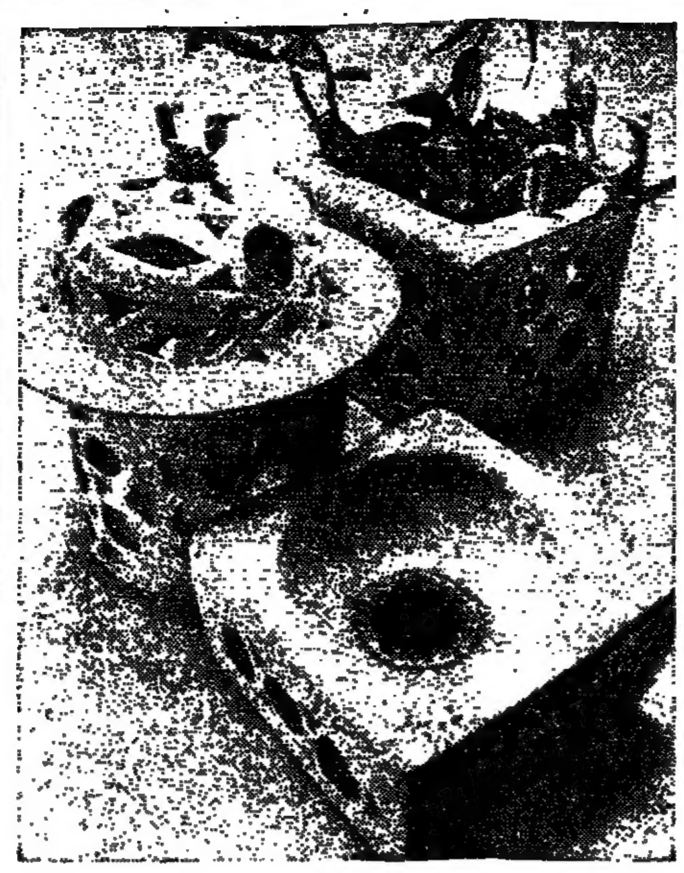
Mars is tall, almost standard lamp size (144 cms high), and it could be used in general garden areas and patios. Made from white stove-enamelled steel it has a dome-shaped top of red glass which glows rather dramatically at night. It is £32.10 (plus VAT).

● The shorter light (85cms in height) has an opaque shade that throws light downwards and so is ideal for using to highlight low beds and shrubs. It is £37.20 (plus VAT) and has a red and white spun aluminium shade. They and many other lights are described and illustrated in a colour leaflet available from Gray-Campling, Magnalux House, Southcote Road, Bournemouth. Write to them, too for stockists.

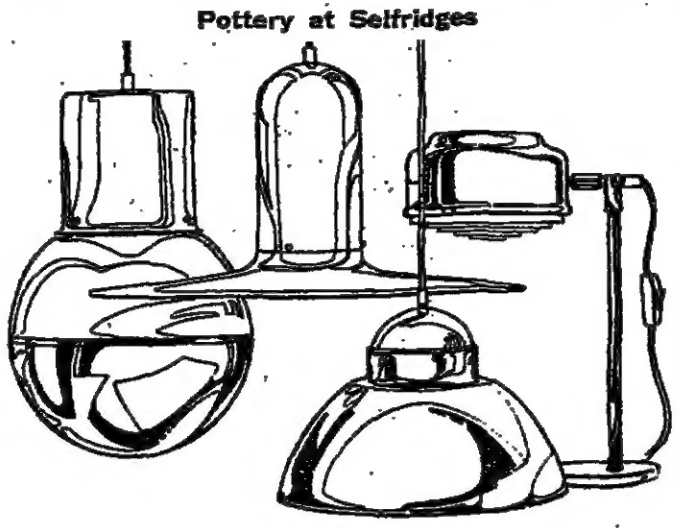
● Finally, the drawing shows a new range of Swedish lights which are not for out-of-doors but would improve almost any room in the house. I first saw them at the International Decor Show and was impressed not only with their design but with their prices, which seemed to me to be very reasonable. The range includes everything—pendant, table and floor and wall lights.



Prices Goblet



Pottery at Selfridges



Elit Lighting

On the left is Saphir—one of Elit's (Elit is the company that makes them) "globe" range which has a vertical turret on top of a metal and perspex globe. It measures 46 cms high by 30 cms in diameter and sells for £26.00. All Elit lights come in brown, white, yellow, red or green.

In the centre is Alpha, a large flat metal top shape measuring 58 cms. in diameter by 32 cms. in height. It sells for £30.00 and is available in the full Elit colour range.

Below centre is Inca, a smaller light with a perspex dome and a diffuser which gives upward and downward light. It sells for £9.00.

On the right is an Elit table light, the Diplomat, an ideal light for working or reading when a pool of light is required. It adjusts upwards, downwards and sideways and would be ideal for home, bedside table, desk, office or workshop. It is £12.00.

A good selection of Elit lights is available from a large range of shops, including Heals of 182, Tottenham Court Road, London, W.C.1, Harrods of Knightsbridge, Bourne and Hollingsworth, Oxford Street, London, W.1, Boots and Timothy Whites, Debenham stores, London Lighting Company, Mr. Light, Fulham Road, London, S.W.6, Dunns of Bromley, Maskreys of Cardiff, Hopewells of Nottingham, but if in any difficulty write to Elit Lighting, Davegore Ltd., Burston House, Burston Road, London, S.W.15.

SEVERAL readers have written asking if I will write about firms that offer bulk buying facilities as, although they have been meaning for years to get round to using their services, it is only now when things seem so desperate that they are actually being spurred to action.

John Dron, run by its guiding spirit Imrie Swainston, is perhaps the most famous of all the bulk buy mail order services. Mr. Swainston has sent me summaries of all the newsletters he has ever sent out to his customers and fairly fearsome reading it makes, too. Way back in August, 1956 he was warning about the effects of inflation and the £1 that was worth £1 in January, 1956 is now worth 40p. The index of Retail prices, if you take January, 1956 as being the base rate at 100, is now 303.2.

Mr. Swainston over the years has done his best to do what he could to help by buying as efficiently as possible and aiming to serve as large a section of the community as possible so as to keep prices as low as he could.

To do his bit at this moment Mr. Swainston has managed to keep the prices of his February catalogue stable until the end of July. So send off for the catalogue (free from John Dron, Mountview House, London, N.6). Special bargains to look out for at the moment are cotton sheets which have been reduced by 10 per cent. (and that is in addition to reductions already existing for those who buy two or four or more sheets), stationery and household disposables of all sorts.

Eastern delights

ONCE upon a time if you wanted a house full of the flavour of the East there was nothing for it but a long trek to the East itself. Nowadays London is overflowing with the enticing, colourful bibelots from the most far-flung corners of the world.

The Conran shop at 77, Fulham Road, London SW3 has at the moment tried to bring to that corner of London all the fascination of the Eastern market place. Many of the finds are the result of a lot of genuine hard work on the behalf of people who love the East and have tried to revitalise and build upon traditional rural skills and ally them to modern production methods.

Almost everything is unique and has about it a distinctive Eastern flavour. It would be a good place to search out unusual presents, some of which are relatively inexpensive, others of which seem expensive until one realises how much work has gone into them.

The top picture shows a selection of Eastern stationery and now that postage costs such an inordinate sum of money it doesn't seem so extravagant to take some care about the sort of paper one entrusts to this expensive service.

The stationery is nearly all very individual, many of the envelopes are like miniature paintings in themselves. Prices are 60p for a pack of 10 postcards while a pack of 20 letterheads and envelopes is £2.20. Because availability varies it is best to go along personally.

Above is a selection of Eastern home accessories. On the left is one of a selection of Burmese lacquered tiffin boxes. Each one is different, each is made from bamboo reeds lacquered 45 (yes, 45) times and each has its own finely drawn pattern. Inside each tiffin box are three layered trays. Prices vary but are about £25 each.

At the back of the photograph is a washable hand-blocked Indian fabric table mat, one of a large selection. A mat with a plain matching napkin is £1.75 per set, with a matching identical napkin, £2.75 per set. There is a big selection of colours and fabrics.

In front is a hexagonal low table covered in batik. The design is based on the Kang table (which Conran tell me used to be placed on the Kang bed) but over here would be used to hold precious collections or by the addition of a cushion it could be turned into a low stool.

The table is 39.5 cm in diameter and 9.5 cm high, £19.75.

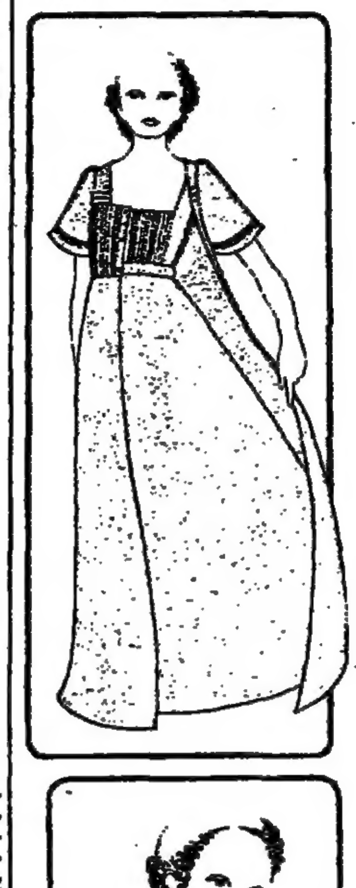
The brass-handled blue and white porcelain teapot has a finely drawn flower design and is almost too pretty to use for every day tea. It is £10.45, and the blue and white hexagonal ginger jar is £16.85.

As everything from this Calico East Collection is individual and as the stock is changing all the time Conran cannot send things by mail, but out-of-London readers might like to visit next time they come to London.

New-fashioned glamour

Janet Reger is famous for bringing old-fashioned glamour back into nightwear and underwear—the sort of star-studded glamour that reminds you of the days when it wasn't a social offence to be rich, when Lauren Bacall slinked her way into low limousines and instead of heiresses trying to look as if they were shopgirls every shopgirl tried to look as if she were an heiress.

Janet Reger is, as you will have gathered, unashamedly in love with everything that is rich and lush and glamorous. She specialises in the sort of underwear you would put on if you knew you were going to get run over (but not too messily) or if you were going to lounge about on satin sofas waiting for long drinks to be served. It wouldn't seem right to wear them to the office (or not, at any rate, my office).



She uses only the most sensuously desirable of fabrics; satins, silks, velvet, lace, cotton. Her clothes aren't cheap but in terms of value for money the return in glamour is enormous.

Until now she has produced a mail order catalogue and sold most of her things through Bottom Drawer, 33, Southwick Street, London, W.2, but she is opening a second shop in London at 2, Beauchamp Place, Knightsbridge, London, S.W.3, on Tuesday so that those living in West London will find her things more accessible. For those out of London the mail order catalogue will still be available (send 60p for a copy).

The sketches and the photograph give some idea of her designs.

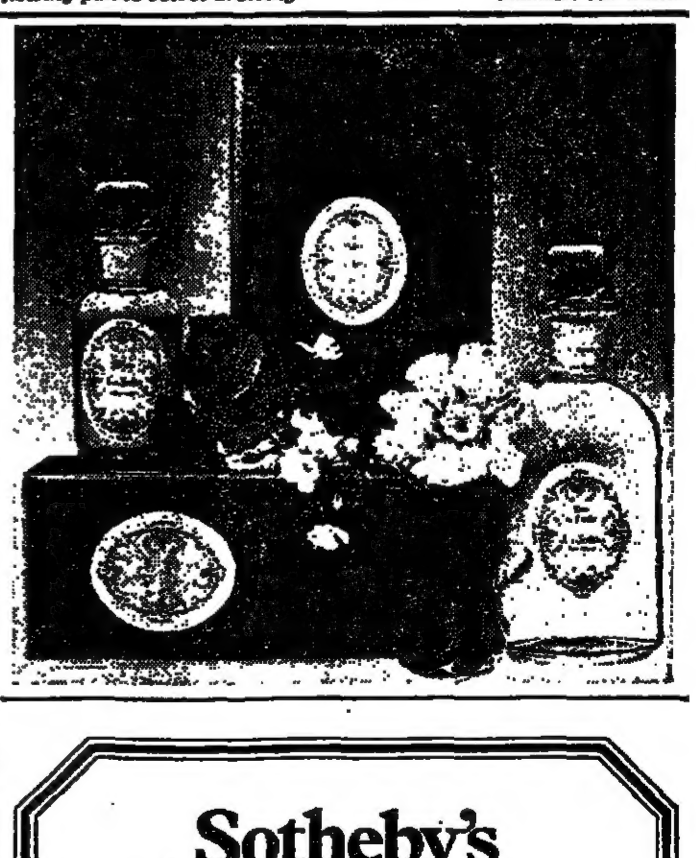
Above is a wonderfully soft, flowing panne velvet dressing gown. The design is on a peach, black or emerald background (I think peach is the prettiest version) and it comes in sizes 34, 36, 38. It has to be dry-cleaned and costs £70.

In the top sketch is an underwear set in washable satin trimmed with white lace in white, peach, blue, beige or brown. The soft bra is £5.70 (sizes 32-36A and 32-38B). The camiknickers are £6.90 in small, medium or large sizes. The matching waistslip is £9 in one size only to fit hips from 34 in. to 38 in.

The négligé set is also in washable satin which feels unbelievably soft and slinky. It comes in champagne, nutmeg, olive and pale blue and is trimmed with white lace. It is £88 for the set in sizes 34, 36 and 38.

Photo: Freddie Mansfield
Drawings: Jan Wheeler

Everything in the garden



ON THE whole I tend to think that there is rather too much scent about than too little and that surely a new collection of scents can hardly be desirable, let alone necessary. I solved my own problems on that score years ago by deciding to stick to Guerlain scents, Jicky for preference, if I can find it (why don't more airport shops sell it?), and I avoid all soaps, deodorants, make-up and essence that have any scent at all.

However, a new collection of scents just out to-day does seem to have something very different to offer. The collection is called Le Jardin and it consists of 45 single note scents. They are all pure, top quality, natural scents and they feature the smells of flowers, grasses, woods, fruits, animals and what are called perfumer's keynotes, which means things like Chypre, Bergamotte, Vetivert, Patchouli, Amber, Cuir de Russe and Mousse de Chine. Among the floral notes are Geranium, Camellia, Sweet Pea, Jasmin, Marguerite. Among the woods and grasses are Verbena, Cedarwood and Sandalwood, while among the animal notes are Ambergris, Civet and Musk. From the fruits there is Italian Orange and Cucumber.

The whole collection is the brainchild of Rosemary Rempé and her husband, Paul Blackman (a famous "nose" who has spent years working in Grasse), and the idea behind it is that women should use the single note fragrances lavishly and individually. They think they are cheap enough to be used lavishly—a single ounce of perfume costs £6, four ounces of the Toilet Water costs £4—and though they anticipate that most women will start off with just one fragrance the idea is that they should then go on to mix the single notes, say with some Civet or Cuir de Russe for evening, or with another flower fragrance for day. In this way the user can vary her scents according to her mood and make sure that what she wears is absolutely unique.

The whole collection is most beautifully packaged with nice, old-fashioned delicate labels, on traditional one and four ounce glass apothecary bottles.

For the moment Le Jardin fragrances are only available through Selfridges of Oxford Street but later in the year they will be available throughout the country. Selfridges will send by post for 10p for the 1 oz bottle, 15p for the 4 oz.

CRICKET BY TREVOR BAILEY

Australian attack brings England to near disaster

THE SECOND day of the Edgbaston Test saw Australia assume almost complete control. First, their tail wagged very effectively and then, after heavy rain had livened up the pitch, their attack provd far too much for England, who were 83 for 7 at stumps and sliding fast towards a very heavy defeat.

Australia had resumed at their overnight score of 243 for 5 against the dual threat of Arnold and Snow with the new ball. The two opening overs suggested that Marsh and Edwards would not last long, though the former did manage to complete his valuable 50 with an involuntary four through the gulley off the back of his bat.

The Aussie pair, however, managed to survive a fine spell from the two English bowlers until 265, when Marsh was caught at slip off Arnold for 61. In one respect the batsmen could have felt slightly aggrieved by his dismissal, as it followed a comical five-minute conference on the shap of the ball, which could have broken his concentration.

Improbable

Old, again bowling into the wind, succeeded Arnold and nearly secured an lbw with his first delivery. He was to be unlucky on a number of other occasions. Edwards, who had been content to graft while Marsh did the bulk of the scoring, now adopted a more aggressive role when joined by the tail.

Although Walker had caused the English bowlers trouble in Australia he only reached seven before becoming another Snow victim. His departure was followed by a lively, and somewhat improbable; stand between Edwards and Thomson. It should have ended at 293 when Fletcher dropped Edwards at slip, but instead the Australian went on to complete a valuable half-century.

The total reached 332 before the dogged Edwards was caught off Old, who bowled better than his figures might suggest.

Fierce swish

Thomson raced between the stumps, kept out the straight ball and acquired the majority of his runs by means of a fierce agricultural swish, with which he made contact roughly once in three times. He lost Lillee in the last over before lunch, but took the break with his own score at 39 not out and the total at 343 for 9.

One was left pondering why Underwood, who is accurate and difficult to hit, had not been given a few overs against Thomson, who certainly appeared to relish the seamers. This point was made even more inexplicable when half-an-hour after the luncheon interval the Kent spinner was given his first over of the day and had Thomson caught for 49!

England came out to bat facing a formidable first innings score of 359, but not for long, as after only one over from Lillee the rain came down heavily and play was suspended.

This left Denness and company the unhappy prospect of batting on a rain-affected pitch having originally put in the opposition.

Ironic

What made this even more ironic was that Underwood is the best wet-wicket bowler in the such conditions.

After the adjournment, England restarted their innings at 5.45 with the scoreboard still virgin. Fortunately for them, Thomson was unable to strike any line or length and after only two overs had to be replaced by Walker.

Lillee made the initial breakthrough having Amisa caught at backward short leg off a nasty delivery. As one expected the occasional ball was lifting and Fletcher, never suggesting permanence, was caught in the gulley off Walker at 24.

Edrich chugged away and Thomson eventually replaced Lillee, who had been fast and economical, despite a strong attacking field. Thomson was more on target in his second attempt and once felled Denness with a painful blow. However, it was at the other end that the trouble really occurred. Walker had the England captain caught off a lifting ball which he had to play at and in the same over Gooch, in his first Test match, was taken behind the wicket down the leg side without scoring.

Greig brought up the 50 before becoming Walker's fourth victim.

Edrich, in company with Knott, tried to rally their side with a detremined stand, but it was not to be. After Marsh had failed to hold on to a difficult chance Lillee clean bowled Knott and in his next over trapped Edrich lbw playing no stroke for a valiant 34.

With all the main English batting now back in the pavilion for only 78, Denness must have been regretting bitterly his decision of yesterday to give the Australians first knock.

Property and housing

Fasten your seat belts

BY JOE RENNISON

THERE ARE still some who would like to think that the housing market operates in some kind of splendid isolation. Removed, cut off, detached from the rest of life's affairs, it operates like some kind of magical moving staircase: you put your foot on the bottom step and are automatically carried upwards. It has nothing to do with the sordid realities of wage claims and the prices of other goods.

If the harsh realities of the chaos in the middle and upper end of the housing market in the past 18 months have not yet sunk in, what is about to happen, will finally put paid to some of the myths about bricks and mortar. Events will finally convince those who are not convinced that what goes up can also come down.

We now have a form of wage, salary and dividend restraint. Let us be charitable for a moment and presume it is going to work. The effect on the property market will be nothing less than disastrous. The shake-out of the past 18 months might well be looked back upon as a boom period by comparison.

Living standards

There have been differing estimates about what exactly the incomes restraint will mean. but it is thought that it will mean a drop in *real* living standards of between 5 and 10 per cent. This means a significant drop in real disposable income for each and every wage and salary earner.

It hardly needs repeating that mortgage repayments — even allowing for tax relief on interest— are made out of net take home pay. This net income is going to be squeezed; so what does the mortgagor do? Does he keep as his first priority the upkeep of payments on the house? This is so far what most people buying their homes have tended to do—there are very few cases of the building society forcing a closure because other spending has taken priority. But this time will the effort and sacrifice become too much?

It is all very well being able to buy the house one wants but not much fun when it means sitting at home every evening in front of a television set that can only be used when the detector vans are not in the area or in front of a fire permanently switched off because the fuel bills might eat into the mortgage repayment money.

This is obviously taking the extreme example. But how quickly this could become the norm rather than the extreme it is difficult to say. For those already living perilously close to the limit of their means, there could come a point of revolt. There could be a large number of applications to extend the mortgage period and therefore reduce the monthly payments or there could be a great increase in the amount of defaulting.

Spending power

Many people took on mortgages at the height of the boom which were then only within their repayments limit. Unless since then they have substantially increased their incomes to allow for a gradual reduction in spending power over the next eighteen months they could be in serious trouble. It could literally come down to the point where a night on the town—that is a pint of beer, a packet of cigarettes and a seat at the cinema—could mean the difference between paying the mortgage or not.

But the outlook for the market in general is equally alarming. There must be a healthy property market—that is, people must be able to buy and sell houses with reasonable certainty, within a reasonable time and at a reasonable price —if there is to remain the choice for all of price, area and environment which until recently has been the case.

A general reduction in incomes must inevitably lead to a stagnation which will make 1974 look like a crowded auction. There will be less ability to save for a deposit on a house, less ability to take on a mortgage commitment and, for those already in the market, a massive disincentive to taking on a bigger or more expensive house. For those who want to sell or must sell, it will mean even greater reductions in prices than we have already seen in the middle and upper ranges. But those vendors will be extremely reluctant to reduce the price: everyone knows, or thinks he does, what his house is "worth" and does not want to undersell.

We have seen this reaction since the collapse in house prices starting in the autumn of 1973. Most people simply refused to acknowledge that this potential profit from their asset was slipping away from them and they refused to sell, hoping against hope that something would come up. Some even now have not received the message and are clinging to boom prices.

The same will happen this time round. With a dearth of buyers and vendors not willing to sell at the right price there could come a situation where there is no market at all.

There is another worrying aspect of the situation and that is on the mobility of labour of all income brackets. Unemployment is still rising and there are fewer vacancies available than for a long time. This combined with inability to buy or reluctance to sell could mean that a great number of people are simply locked into a housing and job situation from which there is no possible escape.

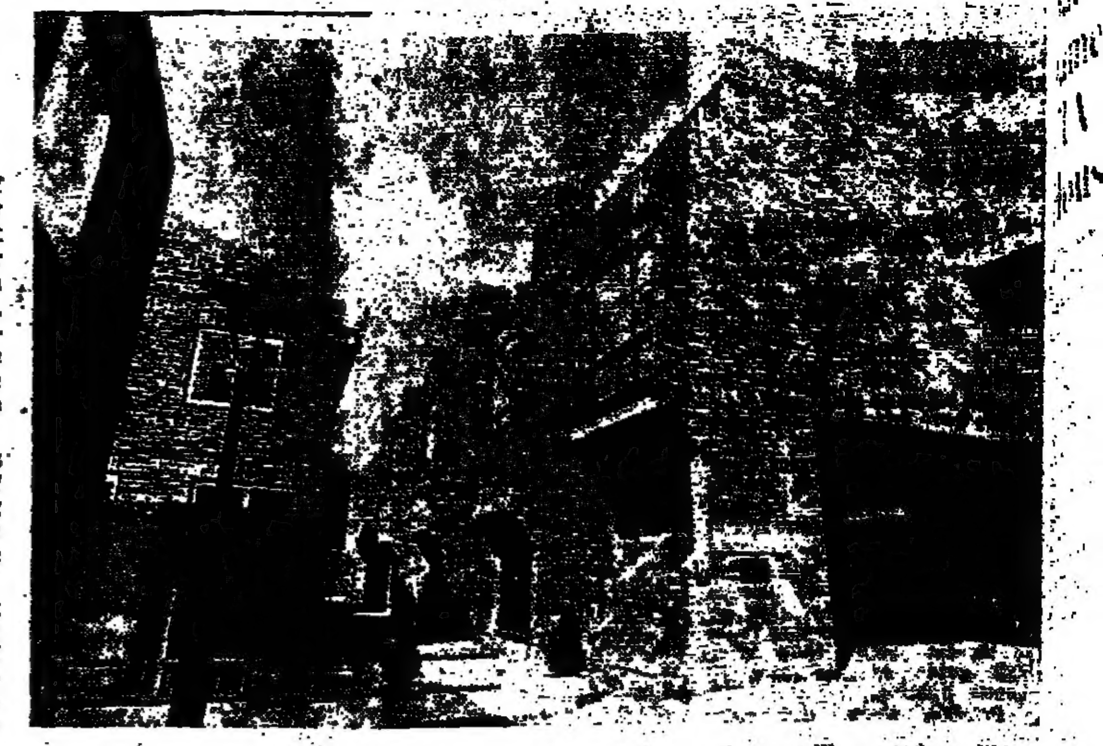
The last but not the least desirable effect of the squeeze is what it will do to the housebuilders. They are already nervous. Even though the latest figures show an increase in the number of houses started, that figure is pitiful compared with a couple of years ago. A spokesman for the House Builders Federation admitted that for this time of the year the figures under normal conditions should have shown a much more substantial improvement. They reflect a general lack of confidence in the market.

If the builders see that with the wages policy there will be a substantially reduced number of potential customers, their reaction will naturally be to reduce output. There are still plenty of empty houses around which were floated on the boom tide. The alternative is to build even cheaper and smaller houses until we are reduced to living in prefabs. That would be a disaster and would be simply storing up trouble for the future.

Next year is not going to be a happy one in the property field. There must be price reductions. Houses only sell for prices people are able to afford.

There has been much talk about the outrageous prices reached in the boom years of mid-1971 to mid-1973. But these were not silly prices. They simply represented what people could pay or what they were able to raise on a loan—usually from a building society. The prices in the future will reflect the same situation in exactly the same way once people have learned to live with reality.

Whether prices go up or down makes some happy and some severely unhappy, depending on which side of the buying and selling scales you happen to be. This time I think there will be general unhappiness—resulting mainly from frustration.



A new village setting within the village atmosphere of Hampstead. Maryon Mews is opposite the southern end of the Heath and near Hampstead railway station. J. Saunder and Sons, a part of the MEPC group has developed this group of 15 houses on a remarkably tiny site. The architects, Ted Levy, Benjamin and Partners, have shown remarkable ingenuity in fitting the houses into the half-acre plot. Nine of the houses are grouped around two small courtyards (left) and the remaining six in a short terrace just to the side (above). Although all basically of the same design each of the first nine is a slightly different shape and size from the others. Five of the remaining six are identical. They are built of traditional materials but the architects have used a special brick that gives this new development an already mellow feel. Standing in the small courtyard there is an almost Mediterranean feeling to the place with jutting balconies and windows and that air of secrecy one gets wandering up a narrow Spanish or Italian alley. The houses have three bedrooms and two bathrooms and in some there is an extra ground floor room which can be used as an extra bedroom or as a study. There are no gardens but most have a paved patio to the rear. There is an imaginative use of tiling throughout the houses. Some may feel the atmosphere too claustrophobic others may revel in the neighbourliness it could create. Prices range from £36,000 to £43,500: one has been sold and four of the others are under offer. A show house is open for inspection. Agents: Anscombe and Ringland, 8, Wellington Road, London, N.W.8.

RESIDENTIAL PROPERTY

LONDON HOUSES AND FLATS

OVERSEAS PROPERTY

SHOOTS AND FISHING

ESTATES AND FARMS

Butterfield named as CIA White House 'spy'

By Paul Lewis, U.S. Editor

WASHINGTON, July 11.

ALEXANDER BUTTERFIELD—the man who revealed the secret tapes that cost Richard Nixon the American Presidency — may have been the undercover CIA agent who Congressional investigators believe was working in the Nixon White House.

This startling allegation was made on TV this morning by Col. Fletcher Prouty, who served for nine years as an Air Force liaison officer with the CIA and who was given Mr. Butterfield's name by Mr. Howard Hunt, of the famous "plumbers squad" when he wanted a top-level CIA contact in the White House.

Col. Prouty also said that Gen. Alexander Haig, who used to be President Nixon's Chief of Staff and is now Nato Commander in Brussels, was a CIA contact with the Army in 1962 and 1963. However, he did not know whether he had retained any links with the CIA while at the White House.

Only two days ago, members of the House select committee which is investigating illegal domestic spying by the CIA broke the story of the CIA White House spy, claiming they had evidence that showed the agency had a man in the upper reaches of the Nixon Administration and with daily access to the President's Oval Office.

Assassination

After claiming that Mr. Butterfield was that man, Colonel Prouty was immediately summoned before a secret session of the committee this morning to tell his tale to the members and answer questions. Meanwhile, Mr. Butterfield was reported on his way to California by air and unavailable for contact, though his wife denied the tale.

After his interrogation by the House Committee, Col. Prouty promptly dropped another bombshell into the CIA debate, by claiming that he had been involved in an agency assassination plot against President Castro of Cuba at the end of the Eisenhower Administration. He said teams of marksmen had been dropped into Cuba in late 1959 or early 1960 in an attempt to shoot the President and that Mr. Richard Helms, the former CIA director, had lied when he said the Agency never participated in assassination plots.

This evening the CIA denied that Mr. Butterfield had ever worked for them, although they said he was cleared to receive some of their most sensitive information. The White House would only say it had "no information" about any possible CIA connections. Yesterday both the CIA and the White House denied that the agency had ever spied on the President.

In his TV interview, Colonel Prout said he first learnt that Mr. Butterfield was a "CIA contact man" in 1971, when he had "a rather urgent requirement to get contact with the White House." He consulted CIA friends who said the matter could easily be arranged and advised him to get in touch with a Mr. Bob Bennett in the Mullen company—a public relations firm that served as a CIA front organisation.

Sinister

Hitherto, Mr. Butterfield has been chiefly remembered as the man who invented the White House tape recording system which proved that President Nixon masterminded the Watergate coverup and led to his downfall. But if it turns out that he was also working for the CIA, then the agency's growing reputation as a pervasive and sinister force in American life is going to be further underlined.

Moreover, some may also see a more sinister side to his revelation about the taping system for there has long been a theory which holds that the CIA had some role in the undoing of President Nixon and lovers of this conspiratorial approach to the Watergate crisis are going to draw the obvious conclusion.

Portugal crisis grows as Socialists resign

BY JANE BERGEROL

LISBON, July 11.

PORTUGAL'S SOCIALIST Party edged closer to-night to a showdown with the Armed Forces Movement, after its decision to withdraw from the Government, the Socialist leader Dr. Mario Soares charged that Portugal was "moving towards State capitalism, a police State run by a new class of bureaucrats to oppress the workers."

The future of democracy appears to-day more uncertain than ever in this country after the Socialist withdrawal and the publication on Tuesday of the Armed Forces plan for "direct democracy" by-passing the political parties and building a popular front directly between the people and the AFM.

Dr. Soares said to-night that his party would not return to the Government until the Republica newspaper was handed back to its management and editorial staff as was promised by President Francisco da Costa Gomes and the Supreme Revolutionary Council.

In a letter to the President explaining the Socialist decision, Dr. Soares asked: "Who governs in this country? There is a general crisis of authority corroded by demogogy, irresponsibility and anarcho-populism. I cannot continue in a Government which does not govern and which daily reneges on its responsibilities to the country."

At the same time, Dr. Soares branded the Armed Forces Movement project for a people's "direct democracy" bypassing the political parties and building a pyramid of people's assemblies as "unconstitutional."

He said the project clearly fell outside the terms of the pact signed between the military and the parties on writing of the constitution, and that it could not therefore legitimately be placed before the Constituent Assembly for inclusion in the constitution law.

This is the clearest indication so far of what the deputies in the Constituent Assembly feel about the project, which might still be passed through the Assembly if the other parties agree. Communists, Communist-dominated MDP-CDE, Popular Democrats and Centre Democrats (CDS) could at a pinch form a majority to pass the project, but this appears an extremely unlikely outcome.

The logical conclusion is that the military will be forced to dissolve the Constituent Assembly, and this in itself would end the meaning of political parties in Portugal.

The withdrawal from the coalition government by the Socialists, with 38 per cent. of the vote, makes the remaining three party-coalition something of a rump government. If the Popular Democrats, who gained the second largest vote in the April elections (26 per cent.) follow suit, only the Communist Party and the Communist-dominated MDP-CDE would remain.

For the moment, although the Popular Democrats are seeing President Costa Gomes to-night to seek assurances on the future of political parties in Portugal faced with the "direct democracy" plan, they have no intention of resigning from the coalition. Rather, they hope to take advantage of the Socialist absence to widen the depth and range of their support in the country.

Their strategy remains, however, of secondary importance, since it is the Socialist decision which must now condition the Armed Forces Movement's tactics with regard to the politicians.

Three days after publication of the explosive people's democracy plan, no light has been shed by the Supreme Revolutionary Council on when and how it is to be launched, or how the political parties are to exist parallel to it, within a coalition Government and within the Constituent Assembly.

Dr. Soares, while severely critical of the handling of the Republica case and of the political direct democracy issue, was also making an obvious effort to-night to remain within the revolutionary ranks and not allow his party to be branded as against the revolution.

Sra Peron sacks Lopez Rega

BY ROBERT LINDLEY

BUENOS AIRES, July 11.

PRESIDENT Maria Estela Peron to-day gave in to widespread pressure, most tellingly from the Armed Forces, and dismissed Jose Lopez Rega from the posts he had used increasingly to dominate her and her Government.

In his resignation as Social Welfare Minister and private secretary to the Presidency — a State secretaryship, Sr. Lopez Rega, aged 58, seemed to make it clear that he has been excluded, against Sra. Peron's will, from manipulating Government affairs through her in the future. "My detractors and the enemies of the fatherland," wrote Sr. Lopez Rega, an astrologer, to Sra. Peron, whose "unwavering friendship . . is the most precious reward life can give me . . . took it upon themselves to fill up a huge novelish volume."

In accepting his resignation, Sra. Peron thanked Sr. Lopez Rega for his "dedication and patriotic services." According to one report, Sr. Lopez Rega will return to Spain, which apparently is where the former corporal of the federal police met Gen. Juan Peron in exile, and was taken on as his private secretary in the mid-1960s. After Gen. Peron's death a year ago, Sr. Lopez Rega had himself promoted to commissioner general, the highest rank in the federal police.

Yesterday a Peronist deputy, Jesus Porto, tabled a motion in the chamber for Sr. Lopez Rega's impeachment on, among other things, the charge that he is the founder of the dreaded extreme right-wing murder squad, the Argentine Anti-Communist Alliance (AAA), which has liquidated scores of alleged enemies of the government during the one year of Sra. Peron's presidency.

There has been no denial from the army of the daring Sunday report of La Opinion, aan independent Bueos Aires daily, that the army had proof of Sr. Lopez Rega's association with AAA. The possibility that he will be arrested and forced to face charges cannot be ruled out.

Sra. Peron seems disposed to stay on in the presidency in spite of the almost universal conviction that she would step down if "the sorcerer," Sr. Lopez Rega, were deposed. The first indications are that the housecleaning demanded by the services, the unions, politicians both Peronist and non-Peronist, and most of the Roman Catholic church hierarchy may not be thorough. Sr. Lopez Rega's son-in-law, Raul Lastiri, remains on as chamber of deputies speaker, although there are reports of his imminent resignation as well. Since Tuesday he is no longer first in line to succeed Sra. Peron should she resign. On that day, the Senate — defying Sra. Peron—elected a new speaker, respected constitutional lawyer Italo Luder, a Peronist, who became first in line in the succession.

A Lopez Rega protege, Carlos Alejandro Villone, steps up from his post of social security undersecretary in the social welfare ministry to take over Sr. Lopez Rega's ministerial post.

Although what has happened here has not been a coup d'etat, the military presence is certain to be greater than it has been since May 25, 1973, when a military dictatorship handed over to an elected Peronist Government. The appearances have been maintained: congress has not been padlocked. The armed forces have not forced the President out. A state of siege curtails personal liberties, but the courts function, however imperfectly.

But this crisis, which began more than a month ago with a conflict between the unions and the Government over wages and was won by the powerful general confederation of labour this week when Sra. Peron gave in on pay rises, has changed the Peronist party fundamentally. The concept of "verticalidad"—absolute unquestioning obedience to the party chief—is gone. Not only the unions, "the backbone of Peronism," but the great majority of Peronist politicians have rebelled.

Kissinger, Gromyko still apart

BY MALCOLM RUTHERFORD

GENEVA, July 11.

AFTER twelve hours of talks, Dr. Henry Kissinger, the U.S. Secretary of State, and Mr. Andrei Gromyko, the Soviet Foreign Minister, appear to have failed to have achieved any significant narrowing of differences on the Middle East situation. Both men, however, told a joint Press conference that the prospects for a second Soviet-American Strategic Arms Limitation agreement (SALT 2) had improved.

Dr. Kissinger left Geneva early this evening for Bonn where he is due to have talks with the Israeli Prime Minister, Mr. Yitzhak Rabin, to-morrow. Senior U.S. sources have persistently played down the chances of an early Egyptian-Israeli disengagement agreement arising from the Rabin meeting, though this may be a tactical move in case the negotiations run into difficulties at the last minute.

In a remarkably cryptic reference to the Middle East content of his talks with Dr. Kissinger, Mr. Gromyko said it "would not be easy to choose words to characterise it." But, he added, an exchange of views was necessary and he was sure they would return to the subject more than once in the future.

Mr. Gromyko's tone here was notably different from his comments on the rest of the talks which he described as "very constructive."

Dr. Kissinger is understood to continue to believe that there is no evidence that the Russians wish to make a constructive contribution towards a Middle East settlement and he is concentrating his efforts on the U.S. negotiations with Egypt and Israel. He told the Press conference he had discussed proposals with Mr. Gromyko both for comprehensive and for partial solutions.

The reference to comprehensive solutions clearly implied that the U.S. will be ready to return to the Geneva Middle East conference if the present diplomacy breaks down.

As for the timing of any possible Egyptian-Israeli agreement, senior U.S. officials have indicated only that detailed proposals should be ready before July 24—the date when the mandate for United Nations forces in Sinai expires.

His reservations about the Middle East apart, Mr. Gromyko used the Press conference strongly to reaffirm the commitment of the entire Soviet leadership to detente, especially as it has developed as a result of the growing pattern of high-level U.S.-Soviet meetings.

Meanwhile Finland to-day officially began preparations for the opening of the summit meeting of the 35 nations European Security Conference in Helsinki on July 30, despite the fact that the date has not yet been formally agreed.

The Finnish action was taken under heavy pressure from most of the Conference participants and especially from the Soviet Union. It amounts to an act of faith that the outstanding difficulties of the conference will be resolved in the next few days.

Rhodesian Africans talk on new strategy

BY DELLA DENMAN

DAR ES SALAAM, July 11

RHODESIA'S African Nationalist leaders are expected to fly to Mozambique this week-end, to discuss implementing their new strategy for winning African majority rule with President Samora Machel and his Frelimo Government.

Led by Bishop Abel Muzorewa, chairman of the African National Council (ANC), Rhodesia's top nationalists, Joshua Nkomo, the Rev. Ndabaningi Sithole and James Chikerema, will also touch on the level of recruiting in their talks following the steady flow of Africans across the Rhodesia border into the former Portuguese colony to join the new nationalist army.

The four men to-day completed a two day tour of guerilla training camps run by the Organisation of African Unity (OAU) in central Tanzania. The camps at Morogoro and Iringa are being used for building up the new ANC army from the remnants of the old guerilla force of Zapu and Zanu, largely made ineffective in intra-party squabbling during the past eight months since the two movements agreed to unite under the umbrella of the ANC, Rhodesia's only legal nationalist group.

The size of the new army is open to speculation, but several figures mentioned by nationalist sources here suggest the eventual aim is 20,000 men. The OAU liberation committee which is based here began making preparations earlier this year for handling as many as 2,000 recruits at any given time.

CITIBANK LIFTS PRIME

By Guy de Jonquieres

NEW YORK, July 11.

FIRST National City Bank of New York to-day raised its prime lending rate by a quarter point to 7¼ per cent., the second increase in the past eight days.

Citibank's move had been widely expected in the light of recent further rises in the yield on commercial paper, to which its prime rate formula is linked. But it was not followed immediately by any other big money-centre banks, all of which are still charging a 7 per cent. prime.

EEC plans £3bn budget

By Reginald Dale, Common Market Correspondent

BRUSSELS, July 11.

THE EEC budget to be proposed by the Brussels Commission for next year is likely to total well over 7bn. units of account (just under £3bn.), according to preliminary calculations by Community officials here. But no final estimate has yet been made for next year's requirements as the figure for agriculture, representing around 70 per cent. of the total, will not be calculated until September when more is known about the size of the 1975 harvests.

In a first communication to member Governments, the Commission to-day said it would be asking for 450m. units (£187.5m.) for regional policy, an increase of 200 per cent., 517m. units for social policy (plus 36 per cent.) and 243.5m. units for research, technological and energy projects (plus 93 per cent.). In addition, the Commission wants an extra 106m. units for development aid, bringing the total to 419m. units.

The Commission said it wanted 360m. units for running expenses, including a 15 per cent. pay rise for Community personnel, compared with 291m. units this year. This year's budget has so far totalled just over 6bn. units, with at least one more supplementary budget to come before the end of 1975.

The Commission is fully aware that it faces a tough battle to have all its proposals approved by the member states, particularly as Bonn is currently taking an even tougher line than before towards new Community expenditure. Two Commissioners, M. Claude Cheysson, responsible for the budget, and Herr Guido Brunner, responsible for research and technology, to-day gave a Press conference.

M. Cheysson argued that most of the increases so far proposed stemmed automatically from policies or commitments already agreed by the nine Governments. He sharply attacked governments for deceiving the public over the Community budget—governments refused to allocate enough funds for the policies they had themselves decided and then complained when the Commission proposed supplementary budgets to raise the money, he said.

If governments did not want the Community to spend money, they would in any case in the end have to dig into their own pockets to finance national policies, he argued. The 1975 Community budget, to which Britain contributed just over 13 per cent., represented only 1.8 per cent. of the Nine's total national government spending, M. Cheysson pointed out.

ARMS BUSINESS

Beating the embargo

BY A SPECIAL CORRESPONDENT

SUFFERING some form of arms embargo by its principal supplier is almost the acid test of a Middle East Government's determination or patriotism these days. For more than half of the past four years the Egyptians have undergone greater or lesser restrictions on deliveries of arms, and sometimes even spare parts and ammunition, from the Soviet Union. Since February 5 Turkey has been under a formal U.S. embargo—controversial though it is in Washington—and since the collapse of the last Kissinger shuttle mission last March Israel has been effectively subjected to the same measure under another name.

In each case the supplier government is trying to use its monopoly to control the international policies of the customer. In each case, also, it has built up tremendous resentment in the embargoed country, and has generally led to the same counter-measures: the development of alternative sources of supply, and the creation of a domestic arms industry.

Before Iran could write its own ticket, the Shah gave a striking demonstration of the first solution to the problem. During the 1950s and early 1960s, the U.S. consistently refused to supply Iran with the most modern military equipment, though it was selling or giving it to Iran's neighbours and CENTO allies in Turkey and Pakistan. So after the Russo-Iranian detente of the early 1960s the Shah bought a quantity of Russian weapons, and frightened the West into providing him with whatever he was prepared to pay for.

Transfer

Only three months ago the Shah pointed out publicly that Iran was still buying Russian weapons, and stressed that this was a message for "some quarters in the U.S. with masochistic tendencies who always try to hurt their friends and allies." The first steps towards an Iranian domestic defence industry are now being taken. Further orders for Chieftain tanks from Britain, for example, are likely to provide for the gradual transfer of production to Iran.

The alternative of developing one's own weapons has been given a new twist by Pakistan, which had been under a U.S. embargo, and forced to rely on mostly second-rate Chinese arms, ever since the 1965 Indo-Pakistan War. The Indian nuclear test in the spring of 1974 convinced the Pakistanis that they would be reasonably safe only if they were provided with an ultra-modern air defence network from the U.S. Prime Minister Bhutto then began a co-ordinated campaign culminating in a speech last December in which he said that, failing a resumption of U.S. arms aid: "We will take the big jump forward and concentrate all our energies on acquiring nuclear capability." On February 24 of this year the U.S. lifted its ten-year-old embargo.

Diversification of suppliers and the development of domestic production capacity are also seen as the best solutions by Middle East States that suffer arms embargoes from time to time. In the past three years Egypt has been the principal victim. From the time President Sadat threw the legion of Soviet advisers out of Egypt in July 1972 (because of previous Russian attempts to control Egypt's policy by restricting deliveries of "offensive weapons") until the spring of 1973, Egypt received no Russian arms at all. After about six months of resumed supplies in mid-1973, and a brief flurry just after the October war, it again got virtually nothing during all of 1974. Only at the beginning of this year did the flow of Russian arms resume, slowly, and solely in fulfilment of the suspended 1973 contracts. (So far, for example, Egypt has received about 20 of approximately three dozen MiG-23s that were originally ordered two years ago.)

The original recourse of the Egyptians was to buy arms from France by proxy, through other Arab States. After the lifting of the French embargo last autumn, Egypt made an open purchase (financed by Saudi Arabia) of 44 Mirages, 42 Gazelle military helicopters, AMX-30 tanks and other military equipment from the French last January. Now, finally, it has embarked on the long-term task of creating a domestic arms industry to free itself (and other Arab States) from the probability of future embargoes.

The instrument is the Arab Military Industries Organisation (AMIO), set up by Egypt, Saudi Arabia, Kuwait, Qatar, and the UAE with an initial capital of $1.04bn. It is a successor to the stillborn Organisation for Sophisticated War Industries approved by the Arab Defence Council in May, 1974, and already it has concluded a tentative deal with Britain valued at around £450m.

Though the first of the 200 Hawk strike aircraft and 250 Westland Lynx helicopters which comprise the larger part of the deal are to be delivered from Britain, the arrangement calls for the setting up of assembly lines in Egypt within a couple of years. Another immediate result is the reported resumption of work on the Egyptian light fighter Cairo-300, and Egyptian-Indian design of the early 1960s whose production was halted by the 1967 war and Egypt's subsequent economic difficulties.

It will be a long time before there is an internationally competitive Arab war industry, but Israel is already in this positon for a large number of items. The foundation of Israel's defence industry dates back to the early 1960s, and various projects like the Arava STOL transport and the Gabriel ship-to-ship missile were already well under way by 1967. What gave the domestic industry its great stimulus, however, was the refusal of France to continue as Israel's principal military supplier after that war.

The Gabriel missile entered service in 1969 and was a considerable success in the October war, while the Arava went into series production in 1971, with an eventual target of 40 a year. More significantly, Israel began to produce the highly successful "Reshef" class of fast patrol boats in 1973, and probably around the same time started producing the Kfir fighter and the Jericho surface-to-surface missile.

Entrant

The latest entrant in the home-grown defence industry stakes is Turkey, whose plans pre-date the imposition of the U.S. embargo by more than a year but have been greatly accelerated by it. The main thrust of the $2bn. REMO plan is to establish a domestic combat aircraft industry (the still-unanswered request of early June to buy about £100m. of British arms is part of a Turkish programme that, like the Egyptian, envisages the eventual transfer of production facilities to Turkey).

WASHINGTON, July 11.

THE House of Representatives took another step towards softening its controversial arms embargo against Turkey to-day, when the International Relations Committee voted to release $185m. worth of military equipment already purchased by the Turkish government.

But it rejected the Administration's earlier suggestion that Turkey should be allowed to buy further arms from American contractors out of its own pocket. Instead it recommended a continuing ban on Turkish arms purchases until a new foreign aid bill is passed later this year.

Collecting wisely

Masterworks in glass

BY JANET MARSH

SEVERAL VERY different masterpieces of English glass-making appear in the London salerooms this month. Next Monday, July 14, Sotheby's are to sell a hitherto unrecorded Royal Armorial goblet enamelled by the great Newcastle glass decorator William Beilby Junior.

Beilby was the son of a gifted but improvident silversmith, also William. A younger brother, Ralph, was an engraver of outstanding skill, though his achievement was inevitably eclipsed by the greater fame of his apprentice and eventual partner, Thomas Bewick.

William Junior was apprenticed to a Bilston enameller but returned to Newcastle to try to help out his parents who had struck financial difficulties exceptional, even for them. His home town had been a thriving centre of glass manufacture for a century and a half, and had introduced new standards of elegance and delicacy in English drinking glasses with the "Newcastle Light Baluster," a style first developed in reaction to the excise levied by weight on glass.

Beilby conceived the notion of firing enamels into glass. It was not, as it happened, a new idea, but Beilby was obliged to discover for himself the techniques of applying pigments by means of a metallic flux. Even disregarding the artistic quality of his work, the technical achievement of controlling a highly critical chemical operation with only the unpredictable resources of a coal-fired oven was monumental.

The results give no hint of the technical efforts involved. The colours are fresh and brilliant and the painting is free and unhampered. Beilby's decoration (in which he was assisted by his sister Mary), with its arabesques and trophies, pastoral scenes and romantic ruins, and lively treatment of heraldic devices represents the high point of English rococo glass.

No-one knows who commissioned the series of magnificent Royal Goblets, which are perhaps Beilby's finest work; but it seems likely that they were made in 1762, when he was 22, to commemorate the birth of the Prince of Wales.

Until now only two other signed goblets from the series have been known—one in the

The Pargeter-Northwood Milton Vase showing the Angel Raphael

Fitzwilliam Museum and the other in the Philadelphia Museum of Art. Apart from these, five unsigned examples are known, one of them the footless bowl presented by Queen Mary to the Victoria and Albert Museum.

Even James Rush's excellent recent study of *The Ingenious Beilbys* (Barrie and Jenkins) has failed to elucidate completely the mystery of William Beilby's later years, and his decision to abandon glass decoration at the age of 38. He devoted himself apparently to the ca e of his ailing sister Mary, advertised drawing lessons, opened a school in Battersea, married at the age of 45, and died in modest circumstances in Hull at the age of 81, in 1819, his great achievements in glass quite forgotten.

It was a century after Beilby's innovations that Philip Pargeter and his cousin John Northwood set themselves to revive the ancient technique of cameo glass. Having set up his own works at Wordsley in 1869, Pargeter embarked on producing a perfect copy of the celebrated Barberini or Portland Vase, an incomplete Roman work of the time of Christ which had been smashed in the British Museum by a lunatic called Lloyd, in 1845.

Pargeter and Northwood spent three years on the task—approximately the same time as it had taken Wedgwood to perfect his stoneware copies, more than eighty years before. During the work Northwood would take the incomplete vase to the British Museum in a specially lined box, to compare it with the original: and it must have been a severe blow when in the course of one of these visits on a bitterly cold morning, the heat of his hands cracked the vase.

Despite this defect, the finished copy brought fame to Pargeter and Northwood when it was shown at the Victorian industrial exhibitions: and they next embarked on the "Milton" vase which was ready in time for the 1878 Paris Exhibition. Their third major work was a group of three cameo glass tazzae, which paid tribute to Wedgwood by incorporating copies of his portrait medallions of Newton, Flaxman and Shakespeare.

All these works are to be auctioned at Sotheby's Belgravia rooms on July 24, having been on loan since 1959 to the British Museum.

Quite a different area of glass working is illustrated by the remarkable collection of designs for stained glass produced by the firm of Heaton, Butler and Bayne between the 1850s and the Second World War, to be sold at Christie's on July 22. The firm was founded by Clement Heaton, who perfected a technique of preserving the pigments in glass in the 1890s. Soon afterwards the firm received a Royal Warrant from the then Prince of Wales.

The 2,000 drawings, mainly in water colour and executed at the height of Victorian fashion for stained glass windows, indicate the success of the firm, with commissions from America, the Orient and every part of the Empire.

There are also patterns for pulpits, reredoses and wall decorations. These small, coloured designs are more obviously decorative than the large and well-used cartoons which were actually used in the workshop, and which are shortly to be sold in Christie's South Kensington rooms; but taken together the whole group of material is a fascinating witness of flourishing Victorian craft-work.

The Arts

Berlin Film Festival

BY NIGEL ANDREWS

Rainer Werner Fassbinder has done it again. Once more he has appeared at the eleventh hour to rescue a beleaguered film festival from the forces of mediocrity that threatened to overwhelm it. That the prolific young German director's new film was the best in an otherwise lamentable Berlin film festival this year was hardly surprising: he set a similar precedent at last year's Cannes and Locarno festivals. What was remarkable was the interest and commotion attending the film's appearance—and threatened non-appearance—in the Berlin festival programme this year.

In a festival whose cinematic content seemed at times to consist entirely of dogged and repetitive variations on a Left-wing theme, Fassbinder's film had the nerve and originality to poke fun at some of the more eccentric sections of to-day's communist and anarchist movements. It was considered too hot for the competition to handle, and ended up being given a late slot in the Young Film-Makers' Forum.

Mother Küster's Journey to Heaven tells the story of an elderly German woman (Brigitte Mira) whose life and family relationships are disrupted when her husband, a factory worker, commits suicide after murdering one of his bosses. Reporters descend upon the family in droves, and soon Frau Küster's home has broken up under the pressure of intrusions. The daughter goes off to live with one of the reporters; the son to make a new home with his pregnant wife.

Having no family shoulder left to cry upon, the mother turns for solace to a wealthy couple (Margit Carstensen and Karl Boehm) whom she first meets at her father's funeral, and who reveal themselves to be members of the communist party. Her cause is theirs, they earnestly assure her; but once they have made political capital out of the poor woman's story, and presented her husband to the world as a martyr to capitalism, they coolly discard her.

After the deluge of films in recent years that have devoted themselves to chastising or ridiculing Right-wing political exploitation, it is astonishing and refreshing to find a film that dares to suggest that as much corruption and self-interest might exist on the left of centre. The reaction of the small audience I saw the film with in Berlin was typical of what Fassbinder can probably expect—charges of "political nonsense," implicit fascism, cheaply irresponsible satire.

But although the film has a lighter touch and a looser structure than either *Fear Eats The Soul* or *Foxy* (Fassbinder's preceding film, shown at Cannes), none of the laughs that it earns, or the shocks it administers, are cheap. The manipulation of individual misery and vulnerability for propagandist ends is one of the classic ploys of political totalitarianism, whether of the Left or the Right, and that is what Fassbinder takes as his theme. If he had made the film with Right-wing rather than Left-wing villains, he would undoubtedly have been applauded all the way to the box office.

Discussing the rest of this year's festival offerings is like reading a death roll. Heading the list of casualties were two East European directors of whose new work one might have had high hopes — Krzysztof Zanussi and Jiri Menzel. Zanussi's new film, *The Balance*, turns out to be an over-extended and drearily didactic piece about a married woman who cannot bring herself to choose between the two men in her life — her husband and her lover.

Menzel, from whom we have heard little since his promising 1966 film *Closely Observed Trains*, shows to no better advantage with *Golden Future*. His new film is a hymn to the construction industry, in which the hero—a fresh-faced and lovably diffident teenager working on a new dam—is to be taken as a symbol of resurgent Communist youth; endearingly maladroit in his love life but sure and single-minded in his determination to help build a new Czechoslovakia. The film was sponsored by the construction company whose work it portrays, and it never looks like anything other than a glossy and overlong commercial.

The two British films on display at least deserved an A for effort. Kevin Brownlow and Andrew Mollo's *Winstanley* got a cool reception at last month's Cork film festival, but it is much better than first reports from there suggested. Made on a slender budget, it tells the story of a group of Englishmen in the late 17th century who attempted to set up a small agricultural commune in what were then the wilds of Surrey.

It is easy to see how the film attracted charges of awkwardness in the acting, and hesitancy in the way that it develops the socialist implications of its story. It is less easy to see how reviewers could have overlooked the film's superb period sense (as tough and grainily authentic as the Second World War setting of Brownlow's last film, *It Happened Here*), or the success with which it integrates a simple, gripping narrative with an admirably clear exposition of the political issues involved.

Although it won a Silver Bear award, Stuart Cooper's *Overlord* is a brave misfire. Sponsored by the Imperial War Museum, it presents the story of a young British soldier's enlistment, training and eventual death in combat during the Second World War, cross-cutting fictional material with archive footage of the period. Unfortunately, for all the poetic images and the Eisensteinian editing, the film never quite gets off the ground—one is left admiring the style while regretting the absence of any real dramatic content.

However erratic its selection from other countries may be,

Brigitte Mira, Armin Meier and Irm Hermann in "Mutter Küsters Fahrt zum Himmel"

Berlin is usually a dependable showcase for the best in new German cinema. This year, alas, in addition to disappointing new films from the established directors, the festival offered two desultory examples of what has been fondly hailed as the new German realism. Ulf Miehe's *John Glückstadt* is a decent but fearfully dull period piece about an ex-convict who finds that life for those with a prison record is not quite the same as life for those without. Marianne Lüdcke and Ingo Kratisch's *Family Happiness* is a kind of middle-European *Coronation Street*, a working-class soap opera no less glum and pedestrian than its British counterpart, but given a sufficiently obvious Left-wing slant to make it palatable, even attractive, to audiences of sympathetic political persuasion.

The last, faintly hopeful word should go to Wim Wenders' new film. For *The Wrong Movement* Wenders has teamed up once more with author Peter Handke, who provided the screenplay for Wenders' excellent earlier feature *The Goalkeeper's Fear of the Penalty*. The key ingredients of the earlier film are in evidence here—an alienated hero, a bleakly atrophying society, a journey of discovery that leads nowhere but back to the self. It's a difficult film, one which defies easy assessment on a first viewing. In time, however, it may well prove to be one of the more durable films to have emerged from this year's Berlin Festival.

Hero of Haslemere

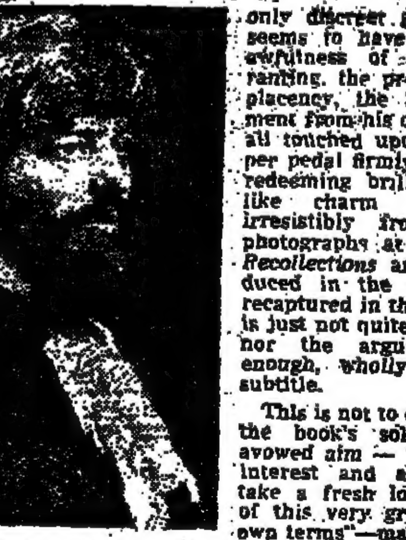
BY ERIC SAMS

Dolmetsch: the man and his work by Margaret Campbell. Hamish Hamilton. £5.25. 318 pages

Shakespeare reared some of his mightiest images of society and the universe on the apparently firm foundations of Elizabethan music; and when Hamlet called for the recorders, it was his one really confident moment in the entire drama. But they too perished tragically—until Arnold Dolmetsch took the stage, playing all the parts at once. He was the scholar who rediscovered the forgotten manuscripts, the craftsman who rebuilt the forgotten instruments, the executant who recreated the forgotten scores; his disciples and devotees still see him as the inspired yet practical creator who could breathe life into dead music by such direct methods as mouth-to-mouthpiece resuscitation. According to this new biography he was *inter alia* the first man to make a recorder in modern times.

That claim alone may prompt mixed reactions in scholars (not to mention parents). But from any viewpoint Arnold Dolmetsch (1858-1940) seems overdue for clarification and assessment. He deserves a more solid memorial than the agreeable but lightweight *Personal Recollections* (1958) of his third wife Mabel. Here's a sample: "The entrance hall, corridor and salon were profusely decorated with masses of crimson roses on long stalks, costing (said our agent) a dollar apiece" (p.40). Compare Margaret Campbell, 1975: "The entrance hall and corridor were profusely decorated with masses of long-stemmed crimson roses which, according to Dolmetsch's agent, cost a dollar apiece" (p.148).

There are too many such trifling and unacknowledged loans, all without interest. They devalue what should have been a completely new account. At least this prepares us for the disappointing discovery that this book offers a wealth of new facts but no corresponding richness of ideas. There is no discernible attempt to evaluate Dolmetsch in any context, whether cultural or personal. Why did he so appeal to Moore, Morris, Shaw, Yeats and the rest? Perhaps after all he was merely one facet of their *fin de siècle*



Arnold Dolmetsch, aged 44, 1903

Utopianism. Even a gem (Shaw's assessment of him) can be too precious, especially in the setting of that effete Fauntleroy gear which must have made it hard for some people to think of him with patience (or of *Patience* without him).

Again, what was his real status as a scholar? We are given whole pages of justly forgotten controversy in which he disposes quite deftly of some dull old dunderhead; but nothing of substance is said about his own *Interpretation of Music of the 17th and 18th Centuries* (which seems to consist largely of translated excerpts from the textbooks of those times). We are allowed only discreet glimpses of what seems to have been the sheer awfulness of the man; the ranting, the prejudice, the complacency, the 20-year estrangement from his own daughter are all touched upon with the damper pedal firmly depressed. The redeeming brilliance and faun-like charm that glow so irresistibly from the Cagnaro photographs at page 88 of the *Recollections* are neither reproduced in the plates here nor recaptured in the text. The prose is just not quite graphic enough, nor the argumentation keen enough, wholly to justify the subtitle.

This is not to deny or minimise the book's solid merit. Its avowed aim — "to awaken new interest and a willingness to take a fresh look at the work of this very great man on his own terms"—may well have been achieved (though I can't help feeling that almost any other terms would have been objectively better). It may not go far enough in some directions; but it is after all essentially a pioneer work, and no one else has yet gone half as far. There is new documentation from the family archives; the material is well organised and presented, with an exemplary apparatus of notes and *bibliography*; the book is well produced (with a very handsome jacket design) at a reasonable price. Not only Dolmetscheans but the general musical reader will find it interesting, and perhaps even stimulating; and future biographers will find it indispensable.

Theatres this week

SOHO POLY—*Gem*. Lunchtime play by Barry Keeffe that truthfully portrays the frustrations of bright youngsters in boring jobs. The scene is the firm's cricket match: good performances, especially from Will Knightley. (Opened Tuesday.)

OLD VIC—*The Misanthrope*. Return to the National of Tony Harrison's much-lauded translation of Molière's classic in John Dexter's production. Stilted performances partially redeemed by a touching final scene between Alec McCowen and Diana Rigg. (Opened Wednesday.)

GREENWICH—*All's Well That Ends Well*. Flaccid production by Jonathan Miller of a difficult but absorbing Shakespeare last seen in London in 1968. Penelope Wilton has her moments as Helena, but the cast is weak and the passions and resolution facetiously handled. (Opened Thursday.)

WIMBLEDON—*The Bacchae* and *The Beanstalk*. Actors Company's double bill of Euripides and truly silent pantomime; a combination which serves to show their mastery of movement and enjoyably inventive ideas. (Opened Thursday.)

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HOME NEWS

VAT underpayments cost State £40m. last year

BY OUR ECONOMICS STAFF

THE Government lost up to £40m. in tax revenue during 1974-75 as a result of underpayment of Value Added Tax, the Commons Public Accounts Committee stated yesterday.

While attributing this partly to understaffing at Customs and Excise, the Committee suggests that the policy adopted by the Department has been partly to blame.

It "notes" that Customs and Excise gave priority to educating traders rather than rigid enforcement of collection procedures during the first year, and it acknowledges the difficulties surrounding the introduction of a new tax.

But the all-party committee adds: "We nevertheless are deeply concerned that substantial losses of tax are being incurred and recommend that the Department should proceed as a matter of urgency to implement their proposed improvements in the administration of the tax so that full enforcement procedures are effective much sooner than they appear to envisage at present."

The committee refers to "the limited extent of the Department's examination of traders' records and comparison with tax returns" adding: "It seems evident that because the correctness of the amounts of VAT collected in in 1973-74 depended upon the honesty and accuracy of traders in compiling their tax returns, very substantial amounts of tax must have been lost through under-declarations of tax, whether deliberate or unintentional."

Control visits to traders started in April, 1974 and it was estimated "that recoveries of the order of £20m. a year would result from bringing to light underdeclarations of tax on about one in four of these visits."

The Committee states that Customs and Excise has informed it "that they estimated their tax loss from undetected under-declarations of tax, unidentified under-assessments and insolvencies at £35m. to £40m. in the year 1974-75, the first full year of control measures."

On staffing the Committee says the original estimate for administration of VAT was 8,200, but "these numbers proved insufficient for the final shape taken by the tax. In addition, an unexpectedly heavy workload had resulted from the scale of inaccuracies in traders' returns." The number of posts was increased to a target ceiling of 10,850 at April, 1975.

The Committee expresses considerable concern about the operation of Government Assistance to Industry under the Industry Act 1972. It says that although a lot of publicity has been given to offers of financial assistance to various companies, "no payments under these offers appeared in the accounts before us. They will come under the scrutiny of the Comptroller and Auditor General during his examination of the 1974-75 accounts.

"For this reason and because the Industry Bill was before the House, your committee did not make detailed enquiries into these cases. We are however concerned about the operation of this assistance and shall make more particular enquiries into pecific case next year.

"We shall also wish to keep under review the general control arrangements for administering the various forms of Government financial assistance under the present Industry Act as amended by the proposed legislation."

On Govan Shipbuilders, the Committee "only hopes" the company's expectation of reaching break-even point by 1977 will be realised "in view of the £50m. to £60m. expected to be invested in the company from public funds and the 5,000 jobs involved."

It adds: "We welcome the Department (of Industry) view that assistance to this company is not regarded as an open-ended commitment, and await with interest the results of their review of the company's future."

The committee stresses that given the large increases in costs and the uncertainties affecting both Govan and Cammell Laird Shipbuilders "there is need for continued financial vigilance and careful oversight of both companies."

"Your committee believe that a prime essential of good management is the effectiveness of financial controls. We are convinced that these criteria would also apply under any arrangements for public ownership of the shipbuilding industry."

More Home News Page 21

Building societies' inflow drops £109m. to £208m.

BY JOE RENNISON

The net inflow of funds into the building societies fell last month by £109m. to £208m. but this amount of new money is still regarded as "very satisfactory" by the movement as a whole.

The net intakes of £406m. and £317m. in April and May, respectively, are now considered to have been freakish and the level of inflow is settling down to a more normal pattern.

The societies received a total of £708m from investors last month and there were withdrawals of £500m. The amount available for relending from borrowers paying off their mortgages amounted to £183m.

The societies are now confident that they will be able to continue lending to the tune of about £450m. a month in the near future as they have been over the past couple of months.

Even if investment into the societies were to fall off dramatically the amount of money the societies have in liquid funds—the amount they put away against a rainy day—is such that they could run down this fund and continue lending at a high level for several months.

It is estimated that the amount held in liquidity on total assets of about £20bn. is around 20 per cent. and higher than that in the case of some societies.

Even if there were a sharp reduction in the amount of money going into the societies in the months ahead it would have little short-term effect on the availability of mortgage funds.

The large amounts taken into the societies in April and May have yet to filter through the system and the present intake remains at a healthy level. The forecast for this month is that it will if anything be above last month's intake.

Two factors which could have seriously affected the competitive position of the societies have not had the negative result that might have been expected.

The first was the reduction in the interest rate for investors from 7½ to 7 per cent. from June 1.

The second was the introduction of index-linked bonds by the Government which offer, with inflation at its present level, a much better return than an investment in a building society.

In spite of the increase in lending the movement sees as yet no shortage of demand for mortgages. The actual amount of money lent to home buyers in the first half of this year was £2.17bn. and this is expected to reach nearly £5bn. by the end of the year. The total was almost £3bn. last year.

BUILDING SOCIETY NET RECEIPTS

	£m. 1974	1973
January	18.7	239
February	15.0	232
March	21.8	274
April	65.0	406
May	93.0	317
June	93.0	208

Whisky blaze cost £1.25m.

Damage caused by the fire which destroyed part of the Long John Whisky bond warehouse in London Road, Glasgow, on Thursday, has been valued at £1.25m.

Some £500,000 represented the loss of 50,000 gallons of maturing whisky. Of the 4,000 casks in the bond, 1,000 were destroyed.

The damage was limited by the effectiveness of a fire wall and door. At the height of the fire, thousands of gallons of water were having to be pumped from the River Clyde about 100 yards away. Police said that arson had not been ruled out.

Industrial output falls nearly another 0.8%

BY MICHAEL BLANDEN

THE recession in the U.K. economy has continued to deepen sharply against the background of falling world trade.

Figures issued by the Central Statistical Office show a further drop of nearly 0.8 per cent. in industrial production in May, compared with the April total which itself has been revised downwards by some ½ per cent.

The level of manufacturing output in May was around that touched in the three-day week during the early part of last year.

On a seasonally-adjusted basis, the index of industrial production for all industries in May is provisionally put at 101.2 (base 1970—100) compared with a revised figure of 102.0 (down from the previous estimate of 102.5) in April.

This is around the low point reached in January last year when the effects of the three-day week were most serious, and the setback in the manufacturing sector has been even bigger.

For manufacturing industry alone, the May index is put at 101.5, against a revised level of 102.6 in April.

Movements

There is an indication, moreover, that the recent movements may slightly understate the extent of the decline.

Because the figures are partly based on statistics of deliveries rather than actual output, the Government statisticians reckon that the all-indutries index probably understated the level of output by about 1 per cent. in the third quarter of 1974 and by about ½ per cent. both in the fourth quarter and in the first quarter of this year.

Over the latest three-month period from March to May, it is provisionally estimated that the average level of the all-industries index was 2 per cent. lower than in the previous three months.

The fall in the index of manufacturing alone was 3 per cent., though it is pointed out that these comparisons are affected by the unusually low level in December when it is thought that changed holiday patterns contributed to an exceptional fall in output.

By comparison with the high levels of output reached during the last boom period in August-October 1973, just before the start of the miners' dispute which led to the three-day week, production in the past three months was running at about 8 per cent. down, while in manufacturing industry it showed a fall of some 9 per cent.

A breakdown of market sectors shows that the biggest fall has taken place in the consumer goods section, which over the latest three months was 3.3 per cent. down, compared with the December-February period.

The capital goods industries, however, showed a fall of only 1.1 per cent. over the same period, with intermediate goods industries down by 2.1 per cent.

Among individual industrial sectors, the largest setback of 11.1 per cent. was in metal manufacture, with chemicals, coal and petroleum products down 7.5 per cent

INDUSTRIAL PRODUCTION

Production * 1970=100

		All Ind.	Mnfg.
1973	1st	109.9	109.9
	2nd	109.6	110.0
	3rd	110.7	111.5
	4th	109.5	110.5
1974	1st	103.7	106.0
	2nd	108.0	109.6
	3rd	108.7	110.3
	4th	105.3	106.1
1975	1st	104.5	105.5
	Jan.	105.0	106.3
	Feb.	105.0	106.4
	March	103.4	103.3
	April	102.0	102.6
	May	101.2	101.5

* Seasonally adjusted

Mrs. Castle sees bleak Health Service future

BY PETER FOSTER

A BLEAK future for the National Health Service over the next few years was forecast yesterday by Mrs. Barbara Castle, Secretary for the Social Services, who also said that no automatic "inflation-proofing" plan had been agreed for the NHS.

She told the first annual meeting of the National Association of Health Authorities: "I do not pretend to you that the prospects for the financing of the service for the next few years are anything but bleak."

The country had become used to "a pretty steady annual growth. However, I think we shall be very lucky if in the next three to four years, when this country is struggling to bring inflation under control, we see any real growth whatever in the service."

The pay limits proposed in the White Paper would reduce the amount of extra money needed to meet the cost of pay awards, but it was too early to say what the total effect on allocations was likely to be.

One key point made by Mrs. Castle was that there was no 10 per cent. inflation proofing limit for the NHS and that it was too early to say exactly what the limits on growth would be.

[Dr. Derek Stevenson, Secretary of the British Medical Association said last night: "I understood that there would be inflation proofing of at least 10 per cent."]

Buying may be start of beef 'mountain'

BY JOHN EDWARDS, COMMODITIES EDITOR

THE START of a possible British beef "mountain", of surplus supplies was confirmed yesterday when it was learnt that the Intervention Board had accepted several offers of forequarters and sides from meat wholesalers.

The first beef to be offered to the British Intervention Board will be taken into storage early next week, if the prices quoted by the Board are accepted.

Deep freeze

Intervention, or support buying, is used throughout the EEC to put a "floor" in the beef market and ensure an adequate return to farmers. Large quantities of surplus beef have been put into intervention in other EEC countries, notably West Germany, France and Ireland.

Britain has been extremely reluctant to use intervention buying, because it means keeping meat prices up by removing surplus quantities that are put into deep freeze and cannot be sold again as fresh beef. The U.K. persuaded Brussels to allow the use of alternative market support measures with intervention buying as a last resort.

However, the recent collapse in the beef market because of a steep drop in demand aggravated by the hot weather, has brought prices down to a level where the Intervention Board provides a more profitable outlet than retail butchers.

Motorcycle front plates on way out

IN THREE weeks motorcycles will no longer need front number plates, as a result of regulations laid before Parliament. The Department of Environment said that front plates had become a significant safety hazard.

The Government decided on the change after consultation with the police and other interested parties.

Owners may remove front plates in three weeks. Rear plates remain compulsory.

Wide-bodied airliner changes ordered

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE U.S. Federal Aviation Administration yesterday made its long-awaited order requiring design changes to be made by the end of 1977 in all wide-bodied airliners of U.S. manufacture, to improve their ability to withstand sudden in-flight depressurisation.

The order will affect about 275 Boeing 747 jumbos, Lockheed TriStars and McDonnell Douglas DC10s in service with U.S. airlines.

Mr. James Dow, FAA acting administrator, said that it would cost the airlines $40m. for the modifications and $18m. for the flying time lost while they were being done.

Although foreign operators of the wide-bodied jets are not affected legally by the FAA order, they are likely to follow suit and make the modifications for safety reasons and so as not to be open to the accusation of being less airworthy than aircraft flown by U.S. airlines.

The U.K. Civil Aviation Authority said that it would require British Airways, Laker Airways and any other U.K. operators of wide-bodies to comply. BA said the modifications would cost it $1½m., but it would like a little more time, aiming at completion by mid-1978.

Modification is a result or the loss of a DC-10 of Turkish Airlines near Paris last year, in the world's worst aviation disaster, when 346 were killed, because of the collapse of the cabin floor through depressurisation after a cargo door below the cabin had blown out soon after take-off.

Changes have been planned by the manufacturers for some time.

Economic Diary

EUROPEAN Community two-day "summit" meeting opens in Brussels on Wednesday.

Other events and statistics next week include:

SUNDAY—Mr. James Callaghan, the Foreign Secretary, leaves for Poland on an official visit.

MONDAY — Provisional U.K. trade figures for June incorporating import and export unit value and volume index and terms of trade. Turnover of catering trades (May). Wholesale price index (June). Financial Statistics publication includes Central Government borrowing requirement (May).

TUESDAY — Mrs. Margaret Thatcher, leader of the Opposition, at London Press Club dinner. NEDO construction forecast for 1975-76. White Fish Authority annual report. Milk Marketing Board annual meeting, Cafe Royal, London.

WEDNESDAY — Confederation of British Industry monthly council meeting. Mr. Fred Peart, Minister of Agriculture, at Home Grown Cereals Authority lunch, London Hilton.

THURSDAY — British Airports Authority annual report. London Tourist Board annual meeting, Victoria and Albert Museum.

FRIDAY—Retail prices index (June). First quarter statistics: appropriation account of companies; new acquisition of financial assets analysis by sector; financial accounts of industrial and commercial company and personal sectors.

The attack on inflation

White Paper sets £6 pay rise limit

A pay policy limiting flat rate rises to a maximum £6 a week for everyone earning less than £8,500, which may be backed by reserve statutory powers to enforce compliance by employers, is detailed in the Government's White Paper, The Attack on Inflation.

Warning of a "general economic catastrophe of incalculable proportions" unless inflation is drastically curbed, the White Paper aims at a target inflation rate of 10 per cent. by the third quarter of 1976 and a cut to single figures by the end of that year.

The £6 limit comes into force with the publication of the White Paper and will last until August 1 next year. The only exceptions will be groups who have already made agreements for annual rises payable before September 1, together with wages council proposals and awards from arbitration references made before the White Paper.

Although the Government would like to be able to freeze prices this would only depress investment and increase unemployment, says the White Paper. But measures are outlined to keep price rises to a minimum and to protect the consumer by means of more consumer advice centres, a planned limit of 10 per cent. prices rises on certain key goods, an increase of £70m. in food subsidies and limits on rent increases.

While it will have statutory powers in reserve the Government believes that application of the Price Code will secure compliance to the £6 limit in private industry. If an employer breaks the pay limit he will be barred from passing on any of the cost through price increases.

Similarly in the nationalised industries, the Government will not provide subsidies for excessive wage settlements nor will it permit extra borrowing to help meet the cost. As a direct employer of 2m. workers the Government will ensure compliance by the civil service the national health service and the armed forces while local authorities will be told that rate support grant will not be payable on excessive pay deals.

Annexed to the White Paper is an extract from the TUC White Paper, "The Development of the Social Contract" endorsed by the general council on Wednesday. This sets out the requirements for negotiators and includes the provision allowing incremental salary scales providing total wage bills for these particular rises remain static (that is, providing rises paid as increments are offset by people leaving or retiring).

The full text of the White Paper starts below.

1—In his statement on 1 July, the Chancellor of the Exchequer said:

"A sharp reduction in the rate of inflation is an overriding priority for millions of our fellow citizens, particularly the housewives and pensioners. It is also a pre-condition for the reduction of unemployment and the increase in investment which the Government, the TUC and the CBI all want to see."

Our rate of inflation has been much higher in the 1970s than in earlier periods and recently it has accelerated sharply. In common with many countries we have experienced in the past two years a big increase in the rate at which costs and prices have risen. Like other countries we suffered in 1972-73 the great increase in the cost of imported food and raw materials, and in 1973-74 the even greater increase in oil prices which have together cut back what is available to us to maintain and improve our national standard of living. But whereas most other countries have succeeded in bringing down their rate of inflation, we have not. Our prices are 25 per cent. above those a year ago. The figures for our competitors are nearer 10 per cent.

2—This must not go on. The country insists that inflation must be curbed: the Government are determined to achieve this, and believe they will have the support and co-operation of the whole nation in doing so. But there can be no solution to the problem of inflation which relies on the creation of mass unemployment and under-utilisation of our productive equipment. This would be wasteful, socially evil and against our long-term economic interests. The direct and sensible solution is to reduce our rate of increase in wages and salaries. The Government, the TUC and CBI are agreed that this rate should be brought down to a level which will ensure that by the late summer of next year, the year-on-year increase in prices will be no more than 10 per cent., and that by the end of next year it will be down to single figures. They have also agreed on the pay limit needed to achieve this objective.

3—The problem is not just one for the next year: the Government intend to maintain policies which, over a number of years, will control domestic inflation and prevent any resurgence of the present rates of price increase. We have to get down to inflation rates no higher than those of our competitors and stay there. But the next 12 months will be critical, and for the emergency situation which the country faces now there has to be a straightforward approach which is seen to be just but rightly gives preference to the lower-paid in a period of national difficulty. This is why the Government are supporting the TUC's proposal for a universal pay limit of £6 per week.

4—The sacrifices called for will not be easy: this will be particularly true in the early months of the policy because of the price increases already in the pipeline. But the alternative is much worse: a continuation of present rates of inflation would greatly increase unemployment, threaten us with external bankruptcy, and gravely damage the social and economic fabric of the nation. To try to cure inflation by deliberately creating mass unemployment would cause widespread misery, industrial strife and a total degeneration of our productive capacity. The only sensible course is to exercise pay restraint and reduce our domestic inflation without sacrificing our long-term economic goals.

The limit on incomes

5—The Government are determined to bring the rate of domestic inflation down to 10 per cent. by the third quarter of 1976 and to single figures by the end of 1976.

6—To achieve this within the framework of the development of the Social Contract, the TUC have agreed that there should be a limit of £6 per week on pay increases. This is the maximum increase in pay compatible with the objective of achieving the 10 per cent rate of inflation by the third quarter of 1976. The £6 is however a maximum within which negotiations will take place; some employers may not be able to pay it.

7—Annexed to this White Paper is an extract from the TUC statement "The Development of the Social Contract" which was adopted by the TUC General Council on July 9. This extract sets out the requirements which should be observed by those determining pay over the whole period from the date of this White Paper until August 1, 1976. The Government recommend only one modification of this guidance. The Government consider that the upper limit for the £6 increase should be £8,500 a year rather than £7,000.

8—The transition to a new policy may give rise to inequity in a few cases where groups have been expecting shortly to implement their annual agreements under the existing TUC guidelines, and the Government think it right to provide some transitional easement. To that end they accept that Wages Council proposals and the awards from formal arbitration references made before this White Paper should be implemented; and that settlements may also be implemented for groups which, before the date of publication of this White Paper, have reached agreements for annual settlement dates not later than September 1, provided that they have had no principal increase under the existing TUC guidelines within the last 12 months.

9—The Government have made and will continue to make every possible effort to achieve the necessary restraint on incomes by consent. They are opposed to criminal sanctions on workpeople.

It has been amply demonstrated that these do not work. Nor do the Government favour detailed intervention in collective bargaining. They are very glad therefore that it has been possible to reach agreement with the TUC on new guidance to negotiators within the framework of the Social Contract, which is consistent with the anti-inflation target.

10—Strict adherence to the £6 upper limit is crucial to the achievement of the objective. If it is not observed the economy will be seriously damaged and we shall all suffer. The Government will ensure strict observance throughout the public sector. Private sector employers will be expected similarly to observe the limit. The Government do not believe that it would be acceptable if de-centralised collective bargaining were to lead to accelerating inflation; or if those who settle early in the round within the limit have no assurance that the policy will be applied strictly throughout. The Government therefore propose to support the guidance given by the TUC to negotiators with effective sanctions. These will include some further powers in the public sector to ensure that the Government can discharge fully their responsibility for securing observance of the pay limit in that area. They also intend to introduce measures to secure compliance in the private sector, and to legislate to relieve employers of contractual obligations which might compel them to increase pay by more than the pay limit.

Hot line

The Department of Employment has opened a pay policy hot line to assist private sector employers and the public on the pay aspects of the White Paper.

Guidance and advice will be available on implementing the policy and on pay negotiations in particular circumstances. The unit began work yesterday and will be open every weekday between 9 a.m. and 6 p.m. The nine London telephone numbers, which are all on the same exchange, are: 01-214 6212, 6336, 6361, 6694, 6796, 8006, 8187, 8634, 8682.

11—The Government have already announced that in line with the limit on pay increases, increases on dividends must be limited to 10 per cent. An Order to give effect to this was made on July 1. The powers necessary to enforce this limit are already available to the Government, but under present legislation they expire on March 31 1976 and the Government will in due course seek Parliament to extend them. The charges and profits of the self-employed will continue to be subject to the price control.

Application in public sector

12—The Government are directly involved as employer in pay settlements affecting 2m. people. These include the civil service, the national health service, and the armed forces. In these fields the Government will ensure that settlements comply with the pay limit.

13—The Government will be asking the review bodies for the armed forces, for doctors' and dentists' remuneration, and for top salaries in the public sector, to comply in their recommendations with the pay limit. It will also be necessary to suspend the operation of pay research in the civil service for the period of the policy.

LOCAL AUTHORITIES

14—Local authorities and public transport authorities employ about 3m. people. Within this total the Government are directly concerned with pay settlements for teachers and the police. But there is no other major group of local authority employees whose pay comes under direct Ministerial control. Nevertheless, it is necessary that local authorities should abide by the policy set out in this White Paper.

15—To this end the Government will have discussions with the new joint Consultative Council and with the Convention of Scottish Local Authorities. It will be a major item in the new approach that rate support grant payable to local authorities will be restricted so that if there is any national pay settlement in excess of the limit, no grant will be payable on the excess. Moreover, legislation will be brought before Parliament to enable the Government to restrict payment of rate support grant to individual local authorities so that no grant is paid for any part of a settlement which they make in breach of the pay limit.

16—As regards the rate support grant settlement for next year, 1976-77, the calculation of the grant will be on the basis that pay settlements both in the remainder of this year and in next year conform to the pay limit. No extra grant will be payable either in the main settlement for 1976-77 or in increase orders on account of that part of any general pay settlements which exceed the limit. In addition, unless staff numbers are tightly restricted, the Government will have to reconsider the scale of provision of grant.

17—In addition, the Government will be prepared to use its powers of control over local authority borrowing, including access to the capital market, to reduce the capital programmes of particular local authorities if this proves necessary to offset any excess expenditure on pay settlements.

THE NATIONALISED INDUSTRIES

18—The Government intend that the policy should be strictly applied by the nationalised industries, by other public corporations and Boards, and by Government-owned companies. The Government will be discussing with the chairmen of the nationalised industries and with the Unions concerned how this will be achieved. Together these industries are responsible for pay settlements affecting about 2m. people.

19—The Government will not foot the bill for excessive settlements in the nationalised industries through subsidies, by permitting extra borowing, or by allowing excess costs to be loaded on the public through increased prices or charges.

The existing arrangements for financial control and budgeting will be strengthened so as to ensure that no additional funds are made available to these industries in order to finance pay settlement outside the limit. The price control sanction described in paragraph 21 will apply to excessive pay settlements in the nationalised industries as in the private sector. All this means that excessive pay settlements will affect employment in the industry concerned.

Application in private sector

20—The Government have no direct control over pay in the private sector. But there is a legal price control over most goods and services produced for the home market. Moreover the Government purchase a substantial part of the output of some industries and provide extensive assistance to industry.

Mr. Harold Wilson stresses a point and Mr. Denis Healey, Chancellor of the Exchequer, looks pensive when they explained the Government's anti-inflation measures yesterday. Terry Kirk

This gives the Government a number of economic weapons with which to support the pay policy. The great majority of employers will adhere to the policy and will not be affected, but the weapons will be used against those who breach the policy by exceeding the pay limit.

THE PRICE CODE

21—The Government will not allow firms which make excessive pay settlements to reflect these settlements in higher prices, to the consumer. With every application to the Price Commission for a price increase, employers will have to notify details of any pay settlement underlying the application. The Government will certify to the Commission whether any of these settlements exceed the limit. Where an employer breaks the pay limit, the whole pay increase will be disallowed for price increases. (This will also apply to any settlements implemented between the date of this White Paper and August 1 in breach of the 12 months rule.) This disallowance, which will require new legislation, will apply even if, the employer is covered by one of the low profit safeguards in the Price Code. Similar arrangements will be applied to nationalised industry prices. A consultative document will be published on the consequential changes in the Price Code.

ASSISTANCE TO INDUSTRY

22—From now on the Government, in handling applications for assistance under the Industry Act 1972, will interpret the national interest as including observance of the pay limit. The Government will not give discretionary assistance under the Industry Act to companies which have broken the pay limit. When it is in full operation the National Enterprise Board, in discharging its duties, will also take these considerations into account. Corresponding policies will be followed in Northern Ireland.

PUBLIC PURCHASING

23—The Government will also take account of a firm's record of observance of the pay limit in its general purchasing policy and in the awarding of contracts.

THE SELF-EMPLOYED

24—Last year self-employed people whose expenses amount to less than 10 per cent. of turnover were exempted from the Price Code. They will now be brought back under the Code. A number of self-employed groups who are remunerated in part from public funds — chemists, opticians and subpostmasters—will continue to be outside the Price Cole, but in settling their remuneration the Government will take account of the pay limit.

Reserve powers

25—The Government believes that the measures described above will be adequate to secure compliance with the policy by all employers. If, however, it finds that the policy needs to be enforced by applying a legal power of compulsion, it will not hesitate to do this.

26—Legislation has therefore been prepared which, if applied in particular cases, would make it illegal for the employer to exceed the pay limit. The Government will ask Parliament to approve this legislation forthwith if the pay limit is endangered with resultant unfairness to the great majority of those who are prepared to observe it.

Progress of the policy

27—The pay limit must be given effect in pay settlements and the effect of lower pay increases must be carried through to prices. On several grounds the Government need to know what is happening on pay settlemens under the policy.

28—The Government intend to undertake jointly wih the TUC and CBI a regular review of developments in the economic situation in order to determine progress towards the objectives of this policy. For this purpose the parties will need to be accurately informed of the true facts on pay settlements. Information on pay settlements and intended settlements would also be valuable in giving early warning of potential breaches of the pay limit and in some cases in enforcing the price control sanction. Timely notification of intended settlements will be needed. The Government therefore welcome the TUC intention to consider with the CBI arrangements for the collection of relevant information about pay settlements, and hope that they will be able to devise an effective scheme for these purposes on a voluntary basis.

Prices and the protection of the consumer

29—The Government recognise and share the concern, to which the TUC refer in their statement, that if pay is restrained prices must also be restrained. They would like to be to freeze prices but an immediate price freeze is simply not possible after nearly three years of strict price control without depressing investment and causing additional unemployment. At any time there are in the pipeline many increases in costs which are coming through in prices and this is particularly true at present following the big increases in pay and other costs of recent months. It takes time for these costs to affect prices in the shops. Similarly if pay increases are slowed down it takes some time before price increases slow down also. Nevertheless, if pay increases do not slow down, there can never be a slow down in price increases.

30—Although the Government cannot freeze prices at this time they intend to take the following measures to keep price increases to a minimum and to protect the consumer.

Price Controls

31—The Government will continue to present strict price control enforced by the Price Commission under the Price Code. They will legislate in due course to extend the control powers beyond March 31, 1976, when price control would otherwise end under the existing law. The price control already ensures that a lower rate of increase in pay is reflected in a lower rate of price increase. However, particularly with present levels of unemployment, the Government do not intend to push price control to the point where it would endanger employment and investment.

Better Consumer Information

32. The Government propose to finance through a special Exchequer grant more consumer advice centres in local authority areas to assist consumers who have complaints or queries about particular retail prices in their district. There are now 60 centres, there will be 80 by the end of 1975 and the Government will discuss a plan to open many more by the end of 1976 with the local authorities. The Government will encourage more work on local price comparisons indicating best value for money and will accelerate the programme of price display and unit pricing.

FAMILY BUDGETS

33. Certain goods are of special importance in family expenditure. Large price increases on such goods bear especially harshly on low income families. Once it is clear that the pay limit is being effectively observed, the Government intend to ensure that the rate of price increase for a range of these goods will be held to about 10 per cent. The CBI and the Retail Consortium are concerned about the extent to which their margins have been narrowing and the Government recognise that this trend cannot continue without seriously endangering investment and employment. But the CBI and the Retail Consortium fully support the Government's fight against inflation and they are therefore prepared to enter forthwith into discussions with the Government to achieve —subject to unforseen increases in the costs of materials—price restraint on selected products of special importance in family expenditure. If this price limitation programme cannot be agreed, the Government intend to take action which will achieve similar results, such as extending the present 3 months interval between price increases.

FOOD SUBSIDIES

34. The present subsidy programme saves over 6p in the £ on food prices and benefits in particular the elderly and others on low incomes. The Chancellor of the Exchequer announced in the April Budget that it would be necessary to phase out the food subsidies over a period, starting early in 1976. As a contribution to protecting the living standards of low income families and pensioners during the period of the policy the Government propose to spend £70m. more on food subsidies during 1976-77 than the amount envisaged in the April Budget.

RENTS

35—Local authority rents were frozen by the Government between March 1974 and March 1975, but increases are now in the pipeline because of pay increases and other inflationary costs. For 1976/77 the Government propose to limit rent increases so that rents do not rise faster than prices generally. This will mean that on average rent increases next spring should be of the order of 60p per week rather than £1 a week or more. The Government will provide an extra £80 million to meet the cost of this.

NATIONALISED INDUSTRY PRICES

36—It has been necessary to make particularly steep increases in nationalised industry prices this year because most of the industries were deeply in deficit. The phasing out of these deficits is not yet complete. However, the substantial progress already made, and the fact that the pay limit provides for a lower rate of pay increase, together offer good prospects that the rate of price increase in the nationalised industries as a whole should be markedly lower next year.

IMPORT COSTS

37—We must do all we can to keep down costs and prices which are within our own control. Some prices, like the cost of imported oil, food and raw materials, are not within our control however. A big increase in import prices would impose on us a further reduction of our standard of living and it would then take longer for this policy to achieve our inflation target.

Action on employment

38—The world is currently in the middle of a major depression depression and unemployment is high in all industrial countries.

The Government are committed to bring the rate of unemployment down; they have been prevented from taking further action to do so this year by the excessive rate of inflation. As the rate of inflation moderates and upturn in our economy takes place, the expansion must be founded on adequate competitiveness of British firms. That expansion when it comes must not be based on an increase in public or private consumption which leaves inadequate scope to increase investment and eliminate the present deficit in our balance of payments.

39—The Government are determined, in their planning for the medium term, to base the growth of the economy on a proper allocation of resources. As the CBI and the TUC have constantly stressed, we must increase the level of productive investment if our standard of living is to be adequate in the future. The passing of the Industry Act will give the Government powerful new weapons in support of investment. They include the National Enterprise Board and, under other powers, the Scottish and Welsh Development Agencies. But increased investment whether public or private has to be paid for, and in a mixed economy the investment of the private sector has mainly to be paid for out of profits. The present level of profits is much lower than in the past. Last year profits were so low that they were insufficient to finance stocks and work in progress and replace existing capital, let alone expand it. If both the public and the private sectors are to increase their investment in the future, they will need adequate resources for the purpose; otherwise the necessary improvement in job prospects and living standards will be put at risk.

40—Success in reducing the rate of inflation will itself improve employment by restoring confidence, promoting investment and increasing export competitiveness. The Government share the views expressed in the TUC statement: "The Development of the Social Contract" on the need for action meanwhile to alleviate the effects of the current high level of unemployment: they agree with them too on many of the measures required.

The Chancellor announced in April increased opportunities for training and retraining; steps to assist people to move to new employment, and to strengthen the employment services; and a plan for a temporary employment subsidy to help firms located in areas of high unemployment which face large redundancies.

41—The Government will introduce the temporary employment subsidy as soon as possible, the subsidy will not be available to companies who exceed the pay limit. Details of the scheme will be announced by the Secretary of State for Employment. Because unemployment is particularly harsh in its effect on young people, the Government will introduce further measures to increase training opportunities for young people and will be consulting the TUC and CBI about special temporary measures to encourage their employment in industry.

42—Inflation has seriously shackled the Government in their efforts to take action against unemployment. The policies put forward in this White Paper are designed to reduce inflation to a level where the Government can employ effectively all the weapons they have at their disposal to end the present unacceptable level of unemployment: and this the Government pledge themselves to do.

Public spending and cash limits

43—The paramount need to move resources into exports and investment makes it essential to contain the demands on resources made by public expenditure programmes. The Government are currently reviewing public expenditure in the medium-term, with a view to continuing the reduction of the public sector borrowing requirement which was initiated in the April budget. The April budget measures for public expenditure will reduce the borrowing requirement by about £1,200m. in 1976-77 at the prices of that year. These are orderly processes for reducing the borrowing requirement. Failure to control inflation would mean massive and indiscriminate cuts in public expenditure with crippling damage to the social services. Success in controlling inflation is the best guarantee against this.

44—However, as the Chancellor indicated in his statement on July 1, the recent rate of inflation has emphasised the need not only to limit increases in money earnings throughout the economy, but to look more carefully at the cash requirements of the public sector. The present system of planning and control of public expenditure puts the main emphasis on the volume of resources used rather than the cash cost and has substantial advantages, especially for control in the medium term. However, at a time of rapid inflation, and with important changes in relative prices, this system needs reinforcing in appropriate programmes by placing a limit on the amount of money which the Government are prepared to pay in the year ahead towards the purchase of the planned volume of resources.

45—Cash limits already apply to a number of services financed by central government and they were recently extended to several construction programmes in central and local government. They are not a suitable method of controlling services such as social security benefits where expenditure must depend on the rate of benefit and the number of claimants. But there is a range of expenditure where they can impose greater financial discipline and precision, and where they can contribute to countering inflation by making it clear both to programme managers and to suppliers that the Government's purchases of goods and services will have to be cut back if prices rise too high. Experience with the programmes to which cash limits already apply have shown that their application needs careful preparation to be effective. Work is in hand to bring about the extensive use of cash limits in 1976-77.

Monetary policy

46—It will be important to ensure that in the period ahead the price targets which the Government have set are not endangered by too loose a control over the expansion of bank credit. The Government have substantially reduced the growth of the money supply in the past year and a half.

They will continue to use the full range of instruments available to them to keep the growth of the money supply under firm control. At the same time they will, through the Bank of England's guidance to the banking system, see that priority in lending is given to the essential sectors of the economy.

Conclusion

47—The Government seek the support of the nation in breaking the inflation which threatens our economy. The measures the Government, the TUC and the CBI are taking are designed to last right through the next pay round until price inflation has been brought down to single figures and we have reached agreement on how to arrange our affairs so as to avoid a resurgence.

48—This is a plan to save our country. If we do not, over the next 12 months, achieve a drastic reduction in the present disastrous rate of inflation by the measures outlined in this document, the British people will be engulfed in a general economic catastrophe of incalculable proportions. If we do succeed, as we are resolved to do, we can turn with fresh energy and hope to tackle the fundamental problems which will still face us in constructing an economy in which high pay is earned by high output.

The Attack on Inflation (Cmnd 6151), Stationery Office, 25p

Extracts from TUC document, published as an annex to the White Paper, Page 13

The attack on inflation

Reaction by unions reflects TUC vote

BY CHRISTIAN TYLER, LABOUR STAFF

UNION REACTIONS to the White Paper ranged from unqualified support to severe criticism and largely reflected the narrow 19-13 vote of the TUC General Council on Wednesday for the £6-a-week package.

The Government's plan was rejected out of hand by Mr. Arthur Scargill, the militant miners' leader.

Mr. Len Murray, TUC General Secretary, said he was sure the policy would be a success and that unions would be "second to none in making it work" so that wider statutory powers would be unnecessary.

"This, I believe, *is* what the great mass of trade unionists want. Every section of the community must now back the great drive for national recovery."

Mr. Jack Jones of the Transport Workers, chief architect of the flat-rate plan, said it was "firm, tough action" but an approach which "the working people of the nation will recognise as necessary."

His view was echoed by **Mr. David Basnett** of the General and Municipal Workers Union, who added that the proposals "reflect the unique contribution of the TUC General Council in agreeing to limit wages in accordance with our economic circumstances."

Sell-out

Mr. Tom Jackson of the Post Office Workers said the policy would get a very big vote in favour within the union movement.

Despite voting against the TUC plan on Wednesday, Lord Allen of the Shopworkers yesterday called for maximum support for the Government if the country was not to find itself in a crisis of "unmanageable proportions."

He said he was pleased that there was to be no arbitrary freeze on shop prices—a fear that helped put him against the TUC plan.

At the other extreme, **Mr. Arthur Scargill**, of the Yorkshire miners, said the proposals were "a total sell-out" "I have no intention — and I believe in the light of our national conference's wages decision to claim £100 a week I am speaking with authority—of accepting the proposals of the Government."

He called on Mr. Wilson and Mr. Healey to resign.

Mr. Ken Gill, of the Engineers supervisory section, said: "This new statutory policy not only shatters the Labour manifesto, but is the most vicious attack on living standards ever imposed by a British Government."

Leaders of public sector unions complained that the measures would hit them harder than others. **Mr. Alan Fisher**, of the Public Employees, said the policy could put the 1.25m. local council manual and hospital workers back into a "low-paid position."

Mr. Geoffrey Drain, of the Local Government Officers, said he was greatly concerned at the reference to public expenditure, and **Mr. Bill Kendall**, of the biggest Civil Service union, added: "Our members will bitterly resent the suspension of their traditional pay determination system" (a reference to the comparability system of determining Civil Service pay).

Congress

Mr. Clive Jenkins, of ASTMS, said he doubted the annual *Trades Union Congress in September* would support the policy.

Congress would not back a policy "which would accept the use of law in collective bargaining, whether by curbs on pay, protection of employers who *break contracts or the creation of* reserve powers for intervention by Government."

Bank union leader Mr. Leif Mills said he could not see how reserve powers for private industry could apply to banking, *where increased costs were* rarely passed on to the consumer. He said he hoped London weighting rises would be excluded.

Doctors' leader Mr. Walpole Lewin of the British Medical *Association* said they recognised the need to contain inflation but doctors were bound to feel discriminated against.

The Government is to set up a special publicity unit to help project its counter-inflation programme.

It will be headed by Mr. Geoffrey Goodman, 54, industrial editor of the Daily Mirror. He has been granted special leave of absence by the newspaper.

Lord Jacobson, editorial director of the Mirror group, will act as special adviser to the team.

Delight for veteran Wilson-watchers

BY JOHN HUNT

DESPITE ANGRY noises from some Left-wingers and a strong whiff of scepticism from the Opposition, Mr. Wilson contrived to unwrap the Government's new anti-inflation package in the Commons yesterday without too much trouble.

Symbolically clutching a copy of the Labour Manifesto, he gave a *70-minute performance* which delighted veteran Wilson-watchers.

On these occasions, the seating arrangements are as significant as the line-up of Soviet leaders for the May Day Parade in *Moscow*.

Seated behind the Prime Minister in the crowded House were Mr. Denis Healey, Chancellor of the Exchequer, and Mr. Michael Foot, Left-wing Employment Secretary.

Accusations

But Mr. Anthony Wedgwood Benn, Energy Secretary, who is known to have strong reservations about the policy, was *sitting as far away as possible at* the end of the Front Bench.

Adroitly, Mr Wilson blocked the attack from his Left-wing critics who saw the proposals as the old statutory incomes policy in disguise and threatened they would not support it in the House.

At the same time, he was given strong backing from a broad cross-section of Labour backbenchers.

The PM totally rejected Left-*wing accusations that he was* doing a U-turn and deserting the party's manifesto.

He maintained the manifesto had emphasised that the Government would work out a policy of voluntary co-operation with the unions *on wages and prices.*

"That is what the TUC has done this week," he told one of his leading critics, Mr. Sydney Bidwell, chairman of the Tribune Group. "Some of the criticisms you are making about the interference with free collective bargaining are not so much of the Government as of the TUC."

He made it plain that MPs were much mistaken if they had turned up expecting to see the obsequies of the social contract.

According to Mr. Wilson, the new proposals were an extension of the social contract "initiated by the very people who had introduced the original social contract." Indeed, he thought they were "remarkable proposals."

For the benefit of his own side of the House, he stressed that the Government was not going down the path of legal sanctions against workers. The Tories had tried that, and it had ended in disaster.

Answer

However, he also had a ready answer for Opposition MPs and for Mr. Jeremy Thorpe, Liberal leader, who complained he was merely achieving his end by *transferring the sanctions to the* employers.

Not at all, said Mr. Wilson. *There were no criminal sanc*tions against employers. These powers were merely being held in reserve to be brought before the House for enactment if the £6 limit on pay was in danger.

Rising to cheers from the *Conservatives, Mrs. Margaret* Thatcher, Tory leader, maintained that the only reason we were now facing this emergency policy was the disastrous policies of the Government over the past 16 months.

The PM had "worsened inflation" by permitting large wage increases under the social contract, at the same time *encouraging enormous increases in public* expenditure.

Yet already, the new policy was promising more increases in public expenditure by increased subsidies for council houses and food.

She was also worried about the difficulties of withdrawing from the new policy in a year's time and the stresses and strains which would be caused. The tendency at the end of a year *would be to restore wage* differentials at all costs, she predicted.

Criticisms

*Despite these criticisms, how*ever, the Opposition seemed to be keeping its powder dry for the moment.

Mrs. Thatcher: "It is quite obvious that in a state of 25 per cent. inflation we may have to *accept policies which we would* otherwise find unpalatable. Our main strategy is to reduce inflation and we welcome the Government's conversion to this end."

Mr. Eric Heffer, a leading Left-winger and former Minister of State for Industry, claimed the TUC had acted only under duress in agreeing to the new *package*.

"Many of us on this side consider this a real U-turn, a move away from the manifesto and we shall look at this very closely indeed. If it is a complete move away from our policies we will not support the Government on this."

Strong backing for the Government came from Mr. Eric Ogden, an NUM-sponsored Labour MP. With a little courage and deter*mination, he said*, the policy would receive the full support of Labour rank-and-file in the constituencies.

This theme was echoed by Mr. John Horam, chairman of the moderate Manifesto Group of Labour MPs, who thought the proposals were fair but tough while preserving the essential *basis of consent*.

Mr. Douglas Jay (Lab., Battersea N) probably put his finger on the pulse of the House when he said that although the measures were justified in the present circumstances, they would *not succeed unless the* breathing-space was used to bring forward more fully-thought-out policies before the "£6 dam" burst.

Significantly, Mr. Wilson agreed that the time available *must be employed* to draw up a lasting formula to settle the problem of inflation.

Retail Consortium underlines that £6 will be maximum

LORD REDMAYNE, chairman of the Retail Consortium, yesterday said that he was pleased with the restraints on public expenditure.

"The other thing that pleases me is that it is clear that the *£6 is a maximum and is said to* be so in Mr. Wilson's statement and in the White Paper.

"Furthermore the White Paper says some employers may not be able to pay it, which is a human note.

"The Government acknowledges that retail profits have been very hard hit, and wages are *only provided for from cash* profits."

Giving or allowing £6 a week increase to all employees this year will be "bad news for the housewife," according to Mr. Garry Weston, chairman of Associated *British Foods*, the food manufacturing and retailing group which takes in Fine Fare supermarkets, Sunblest bread and Twinings teas.

Speaking at the company's annual meeting yesterday, Mr. Weston—in advance of publication of the White Paper—said that £6 a week was equivalent to *a 20 per cent. or more* wage increase for a very large section of the British food industry.

With wage costs in the manufacture and distribution of food being such a large element in the final cost to the public, "a further wage increase this year of this percentage must have a very negative effect on the *country's efforts to fight* inflation," said Mr. Weston.

Spending, particularly by Government, had to be substantially cut and there had to be a shift of income resources from current consumption to provide for investment.

Mr. Tim Fortescue, *secretary*-general of the Food and Drink Industries Council, said they considered that to "cut the cut in the food subsidies" was a very reasonable approach.

"We thought they were going to defer the whole phasing-out programme for a year," he said. "We dislike subsidies and consider they distort trade, but they should be phased out gradually, say over three years."

The President of the Food Manufacturers' Federation, **Mr. Ron Halstead**, said they would do their utmost to support the Government's efforts to control inflation.

"The proposals on food will need careful study by different sectors of the industry," he said. The Government had acknowledged the heavy erosion of profit margins and the adverse cash flow which had had crippling effects on federation members.

This will also be a factor to be considered in any discussions with Government."

Any measures which reduced the rate of inflation would be approved by farmers. Mr. George Cattell, Director-General of the *National Farmers' Union, said*. Farmers had to meet rising costs at the true value of the pound,

LORD REDMAYNE: Pleased with public spending restraint.

while their incomes were depressed by the artificial rate at which the prices of farm products were calculated, he said.

Mr. Michael Marriott, new *chairman of the Stock Exchange*, said that, having urged the Government to be decisive, "we accept the actions now being taken." But only by making clear why the emergency had arisen and by getting rid of *divisive factors* which were its main creators would the environment be restored to confidence *to ensure the flow of investment* into productive industry could and would take place.

There had for too long been a bias in favour of Government borrowing at the expense of investment in productive industry *while taxation policy had limited* new savings. Long periods of dividend restraint and price control were causing "serious distortions" within industry, said Mr. Marriott.

The Government's policy could give Britain much higher real incomes for the first time *in 20 years*, according to Sir Fred Catherwood, chairman of the British Institute of Management.

The professional sector would "hold back and be moderate" because the country could not afford to let the policy break down, despite the fact that it would hit them "very hard indeed."

The Association of British Chambers of Commerce expressed doubts whether the measures would be workable.

Mr. Nigel Mobbs, the chairman, warned that a *flat-rate in*crease of £6 could be too high and would create great difficulties in businesses employing large numbers of people with wages averaging substantially less than £60.

Many such companies were already under great pressure and some might have to cut back severely this winter. "It is impossible, at this stage, to forecast how many, but unemployment is bound to increase as a result," *Mr. Mobbs said.*

The Association of Metropolitan Authorities said that so far as local government expenditure was concerned the vast bulk of it was a direct result of public demand for services as reflected *in legislation passed by Parliament.*

"It cannot be cut back at short notice without cuts in services or in staff or both," the association said.

Commander Duncan Lock, chairman of the Association of District Councils, warned district councils to act now in making *economies. "Cherished schemes* will need to be shelved and standards of service reduced," he said.

Foot explains

MR. MICHAEL FOOT, Employment Secretary, said on BBC television last night that he had not resigned over the package because "it is of absolute im*portance for the country for the* Labour Government and for the labour movement that this policy should succeed."

Reaffirming his bitter opposition to a statutory pay policy, Mr. Foot emphasised that the Government's policy was voluntary and based on consent. He said he would dislike it "very much indeed" if the Government was forced to introduce statutory wage control.

Mr. Foot promised "great *prizes* for miners and other members of the community" if it was allowed to succeed.

On proposals that Cabinet Ministers should take a salary cut, Mr. Foot indicated that he would be arguing for Ministers to give this kind of a lead as a way of awakening the country to the seriousness of the situation.

Prime Minister's statement

Tough and effective policy, Wilson says

The Prime Minister said when unveiling the Government's plans yesterday that the White Paper was "a tough, workable, and above all, effective policy for *attacking the evil of inflation.*" He went on:

The unprecedented rise in *prices which followed the five*-fold oil price increases 18 months ago was worldwide. But whereas in the rest of the industrialised world inflation has recently begun to decrease — even at a cost in unemployment far higher than *anything we have seen here in* Britain — in this country the rise in prices has continued to accelerate.

The Government has made clear our utter determination to beat inflation. This is what the whole country wants.

There is no simple, dramatic cure. We reject the use of mass *unemployment, which might or* might not work, but which would utterly destroy our democratic values. We reject panic prescriptions, which would mean imposing criminal sanctions against workers.

We have set the nation's target. We will stick to it. The rise in prices must be cut to *10 per cent. by the third quarter* of next year.

It must fall below that, into single figures, before 1976 is out. And after that it must, at worst, be no higher than the inflation rate of our main com*petitors.*

There should be no misunderstanding about the gravity of this crisis. It is immediate. It is with us. It affects every family in the land. Above all, the low-paid, the pensioner, the *disabled, the sick, the large* family, the one parent family.

*If as a nation we fail to over*come it, then no one will escape the harm that will ensue. As I told the mineworkers' annual conference on Monday, not even *democracy itself.*

No job would be safe. No one's future would be secure. No pay rise, however large, would buy security.

Big pay rises disappear in the *new round of price rises they* generate. Everyone feels cheated. Everyone is cheated, and those who have sought to protect themselves have cheated themselves.

The Government has decided that the limit on pay increases *during this coming pay-round* cannot exceed £6 a week. There will be no exceptions.

If there is any determined attempt to breach that limit, any desire, employer or worker, to get round it, then the Govern*ment, with equal determination*, will use all its powers to defeat it.

And if the powers we have—and which, as I have told Parliament, we are going to strengthen and fortify—are not enough, we *shall not hesitate to come back* to Parliament for further powers.

The Government will apply this policy rigorously in the public sector and we will require private employers to comply.

For many people this policy will mean real sacrifices over the coming year, though in its rough justice it protects the least well *off, the men and women who do* not have the industrial muscle to grab even a temporary, illusory, security.

But any policy less tough would only delay the sacrifice until the time when an im*measurably greater sacrifice* would be called for.

As a Government, we have deliberately rejected criminal sanctions against workpeople. Nor will be use the whip of mass unemployment to drive people into acquiescence.

But it is our duty as a Government to warn the nation that it must make the choice: to realise that one man's pay rise is not only another man's price rise; it might also cost him his own job —or his neighbour's job.

CBI pledges full support, but urges further action

BY HAROLD BOLTER, INDUSTRIAL EDITOR

THE Confederation of British Industry pledged its members full support for the Government's objective of bringing down the rate of inflation yesterday, but made it clear that it did not agree with all of the White Paper proposals.

"The CBI has repeatedly said that what is required is a continuing programme over a number of years and that an incomes policy by itself will not *be sufficient," the Confederation* said.

"The Government must take action to control its expenditure, its borrowing requirement and the money supply."

The White Paper contained the Government's own proposals for an incomes policy and the CBI did not agree with all of these proposals.

Nevertheless, it accepted that as it regarded the control of *inflation as critically* important, industry would do all in its power to make the policy as effective as possible.

One of the CBI's main concerns is that it does not believe that the White Paper pays nearly enough attention to monitoring the policy.

"We warned Ministers that compulsory reporting to Government of claims as well as settlements and intended settlement was essential if the policy was to be fully observed," the Confederation said.

"This becomes all the more important since Government has decided, against our strong advice, not to seek legal powers to enforce its pay policy unless it considers the pay limit is endangered."

Flat rate

In the representations it made before the White Paper was published, the Confederation had pressed for the new policy to be supported by the removal of social security benefits from *people who tried to break* it through strike action.

The CBI said that it regretted *the fact that the Government had* not taken its advice to express the maximum level of pay increases in percentage terms rather than a flat cash rate.

What the Confederation suggested to the Chancellor and the Prime Minister was that the limit on wage increases should be set at £5 a week or a figure not exceeding 15 per cent., whichever was the lower.

Its argument here was that for some lower paid workers, particularly women workers in the food industry, a flat rate cash limit would be more inflationary than a percentage figure of 15 per cent., which would keep wage rises down to no more than £3 a week.

In its statement, the CBI said that the present difficult cash and profitability situation of British industry was well known, although the situation of individual companies varied.

"Many companies have already had to cut production. Many others are having problems in maintaining their operations and therefore employment at a *normal level because of the steep* increase in working capital required. Others are having to cut their investment programmes for similar reasons.

"For these reasons, the CBI, on behalf of member firms, wishes to make it clear that in so far as the Government's counter-inflation proposals allevi*ate the cash position of com*panies, the major part of such help will necessarily be devoted to investment either in plant or machinery or in the working capital needed to maintain the business.

"*Apart from helping to pre*serve jobs and increase output this will ensure that British industry is better placed to take *advantage of the expected upturn* in world trade."

WHITE PAPER CONTINUED

Extract from TUC document on development of social contract

1—Adopting a flat rate approach, fixing the pay limit at 10 per cent. would give £6 a week to all full time adults (aged 18 and above—pro rata for part-timers and juveniles) up to a cut-off point. A flat rate approach has the advantages of focusing increases on the low paid and preventing unduly large cash *increases being obtained by the* high paid. It is clear and simple, most emphasises the General Council's view about the gravity of the economic and industrial situation, and cuts through the complication of separate provisions for particular groups which, via comparability claims, had helped to weaken the previous policy. The General Council therefore conclude that there should be a universal application of the figure of £6 per week. The TUC will oppose any settlement in excess of this figure.

2—The General Council fully appreciate the problems which may arise from interfering with differentials based on skill and responsibility, and emphasise that this is a temporary policy put forward for the coming year *to arrest the inflationary process*, prevent massive unemployment and enable the Labour Government to carry out its industrial programme. It is certainly not envisaged as a permanent policy for continually eroding differentials either between or within negotiating groups.

3—The policy will operate from the beginning of the next pay round, which is about August 1. Those who have settlement dates before then should settle within the existing guidelines. There should be no anticipation of their normal settlement date by other groups.

4—Given problems arising from the fact of different pay structures, the cash amount should be applied as a straight-forward supplement to earnings. This should be the total increase *over the year however the earn*ings are determined. The policy will entail the temporary suspension of systems of pay determination based on traditional links in the private and public sector, and the suspension in particular *of civil service comparability* exercises. Already established incremental and wage-for-age scales are payable provided that this does not raise the overall wage bill by more than £6 a head.

The General Council would, if it is considered necessary, agree to legislation to relieve employers of contractual obliga*tions which would compel them* to increase pay above the limits set out in this document. This is necessary to enable this policy to be applied voluntarily in every case.

5—The 12 month interval between major pay increases must continue to apply. This rule means that when a new settlement is negotiated *there*after, it should be on a flat rate basis of £6. Where current agree*ments provide payments in the* 12 month period, any new agreement should ensure that only the balance between the amount paid and the £6 should be applicable in the period up to August 1st, 1976.

6—However, final steps towards the attainment of equal pay for women by the end of 1975, in *line with the equal pay legisla*tion and TUC policy objectives, will be in addition to the £6 figure.

7—Negotiators will be expected to offset any improvement in non-wage benefits against the pay figure. In this period of high unemployment, negotiators should of course continue to give priority to improving job security.

8—In the current situation there may be understandable *pressure for work-sharing* arrangements. To be effective these must take the form of a cut in actual hours worked per employee. They should not be used as a method of obtaining a disguised increase in incomes *out of line with the pay limit.* Negotiators should therefore give priority to securing actual reductions in hours, and to reducing normal hours to 40 in sectors where this has not been attained. The 35 hour week remains a longer term objective.

9—There may be isolated instances of negotiators experiencing difficulties in applying or observing the pay limit. The existence of any such difficulty does not remove from negotiators and their executives the responsibility of doing all they can to ensure that the limit is observed. Where unions and employers both agree that there is a serious difficulty, they can make a joint submission to the TUC and the CBI, who will jointly examine the problem and determine whether this should be submitted to ACAS for arbitration.

10—In this process of reducing the rate of inflation, the more *prosperous can more easily bear* the burden of helping the economy and should be prepared to take a cut in their current standards of consumption; those with incomes over £7,000 a year should forgo any increase in their incomes in the present period of difficulties. The Government should apply this principle in the public sector. Top pay review bodies will need to take this fully into account. And unions will be looking for a definite response from executives in companies with whom they negotiate.

Jobless 'will rise to 2m. in year'

BY ARTHUR SMITH

A PREDICTION that unemployment will rise to more than 2m. within the next 12 months came from the Institute of Directors yesterday.

Mr. Jan Hildreth, director-general of the Institute, said that, on present trends and even with *the Government's emergency* package, the level of jobless would hit such a peak.

However, the situation might improve beyond mid-1976 provided the Government pushed through its proposed measures and also brought forward more positive policies to get the economy moving.

The White Paper did nothing to create the right conditions for growth. It was "crash action without thought for the future."

The real issue facing the country was the quality of its future busines leadership. Incentives were needed to attract the right people into industry and to ensure they carried out their work with enthusiasm.

While the Institute, which claims to represent some 44,000 directors, welcomed the determined effort by the Government, it believed the action was a year too late and consequently, "more dramatic and disruptive."

Mr. Hildreth maintained that over the past year the Government had "concentrated on disrupting industry" and even the proposed action was divisive.

The fact that legislation to back up the pay policy was not being introduced was "too clever by half." Such cleverness represented an unnecessary risk: "We *want to see government by* government and not by the TUC," Mr. Hildreth declared.

He thought the £6 flat-rate pay limit would be inflationary as it would be taken as the norm rather than the maximum award. The Institute would have preferred a percentage limit of 10 per cent. or, better than that, 5 per cent.

Moreover the £8,500 cut-off point for salaries was completely without logic and was simply a "vindictive move" reflecting the influence of the TUC on the Government.

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Head Office Editorial & Advertisement Offices:
BRACKEN HOUSE, CANNON STREET, LONDON, EC4P 4BY.
Telephone Day & Night: 01-248 8000. Telegrams: Finantimo, London
Telex: 886341/2, 883897

Birmingham: George House, George Road 021-454 0922
Dublin: 8 Fitzwilliam Sq. 785321
Edinburgh: 18 Hanover St. 031-226 4120
Leeds: Permanent House, The Headrow 0532 454969
Manchester: Queens House, Queen St. 061-834 9381
Paris: 36 Rue du Sentier 236.50.59 (editorial) 236.86.01 (business)
Bonn: Pressehaus 11/104 Heussallee 2-10 212596
Frankfurt: 6 Frankfurt am Main, Im Sachsenlager 13 555730 (editorial) 554667 (business)
Brussels: 39 Rue Ducale 512 9037
Rome: Via della Mercede 55 678 3314
Madrid: Calle Ayala 5, Madrid 1. Tel: 275 4000
Stockholm: [illegible] 7, 105 17 Stockholm Tel: 50 60 88
New York: 75 Rockefeller Plaza, NY 10019 Editorial—212 541 4625 Business—212 489 8300
Washington: Second Floor, 1325, E. Street, N.W., Washington D.C. 202 347 8676
Toronto: 285 Ont. 6 Charles St. E. 416 921 5575
Jo'burg: 637 Union Centre East Building, Harrison Street (Cnr. Pritchard St.), Johannesburg. 838 7649
Sydney: 364 Sussex Street (Cnr. Liverpool Street), Box 3888 GPO 2001 Tel: 619 517, 618 773
Tokyo: 8th Floor, Nihon Keizai Shimbun Building, 1-9-5 Otemachi, Chiyoda-ku, Tel: 241 2920

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SATURDAY, JULY 12, 1975

A shortage of figures

YESTERDAY'S White Paper is inevitably a political as well as an economic document, designed to be acceptable to both the TUC and the CBI, to preserve the unity of the Government and (as far as possible) of the Parliamentary Labour Party, and to provide the Opposition with little excuse for refusing it their support. Judged from this point of view, the White Paper is a skilful compromise which has a reasonable chance of achieving its political objective. Even its most surprising single feature, the fact that reserve powers to make it illegal for employers to exceed the pay limit are to be contained in a draft Bill separate from the legislation to be introduced next week on the other issues raised, makes some sort of sense from the political point of view.

Once the immediate problem of acceptability is overcome, however, the effectiveness of the policy as a means of controlling inflation must be considered. Any comment on this point must be prefaced with a reminder that an incomes policy is designed to alter the climate of expectation and keep unemployment lower than it might otherwise have had to be but is bound to introduce distortions whose practical effect becomes more serious as time goes by. The fact that the pay limit has been fixed in flat rather than percentage terms will make these distortions greater and increase the difficulty of returning to normal.

Realistic

Indeed, the White Paper makes it clear that the Government means to maintain anti-inflationary policies of some sort over a number of years and that agreement will have to be reached "on how to arrange our affairs so as to avoid a resurgence" of rapid inflation. If this points to difficulties for the future, it is at least realistic: and the whole tone of the White Paper is more realistic than that of its predecessors. The statement that the £6 is a ceiling rather than a right; the limited nature of the increase in food and rent subsidies; the refusal to subsidise the deficits of the nationalised industries or to bail out firms which exceed the pay limits; the warning that import prices may have a crucial role to play; the limited use to be made of price control except in the case of firms which breach the pay limit; and the repeated insistence on the need for higher company profits to support increased capital investment are all highly welcome.

The fact remains, of course, that the success of the policy laid down in the White Paper depends ultimately on public opinion. As the TUC has already pointed out in its own paper, individual unions and union members must associate themselves with the policy if it is to succeed. The Government has a whole range of weapons to deploy against employers to encourage them in resisting excessive wage demands; but a determined union may still seek to fight the policy. Even when the reserve powers are invoked and an employer is legally forbidden to pay an increase above the permitted ceiling, strike action may still take place, leaving the employer helpless. Public opinion remains the ultimate sanction.

Public spending

The White Paper is primarily concerned with bringing about a voluntary acceptance of lower wage settlements and has relatively little to say about the control of public expenditure and the public sector borrowing requirement or about the use of moneta-y policy. Yet for the control of inflation, as opposed to limiting the unpleasant effects of bringing it under control, these are matters of primary importance.

The White Paper states that "work is in hand to bring about the extensive use of cash limits in 1976/7" for control of public expenditu-e, and that the Government "will continue to use the full range of instruments available to them to keep the growth of the money supply under firm control." The White Paper would have been a more convincing document if the Government had been able to set out, in detail and with figures, its latest proposals for cutting back the public spending plans for the period to 1978/9 set out, in a form which demonstrated their unacceptability to the general public and therefore their inflationary tendency, at the beginning of this year. As it is, we must be given quickly a revised version of proposed spending programmes and how the reduced prog ammes are to be financed.

The attack on inflation

Strength in a confession of weakness

BY ANTHONY HARRIS

AS AN educational exercise, the Government's White Paper on inflation is, by a long way, the bluntest document which the public has had to read in the long history of incomes restraint. Its strength lies in its open confession of weakness: the Government cannot protect the standard of living against rising import costs, it cannot borrow more money for indefinite subsidies for public sector jobs, and it cannot even lift the general level of demand while inflation goes on unchecked. Its whole underlaying lesson is that in a world constrained by money, people can price themselves out of jobs.

The teeth in the policy are all designed to make this lesson bite. Cash limits in the public sector are spelt out in precisely these terms: since neither prices nor subsidies can be allowed to take the strain, above-norm wage increases will mean fewer jobs. Firms which break the limits will lose public sector contracts. Private sector companies which cannot stand up to union pressure will lose all the margin protections in the Price Code and will not be allowed to pass on labour costs. The Government aims, according to the Chancellor, to let them go to the wall.

U.K. FINANCIAL FLOWS (£m.)

	ACTUAL FIGURES 1974 1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1974	ESTIMATED AND PROJECTED FIGURES 1974-5 Financial Year	1975 1st qtr.		1975-6 Financial Year
Net acquisition of financial assets by:									
Public sector	−602	−917	−1,622	−1,987	−5,128	−5,914	−1,388		−7,571
Overseas	1,087	994	901	921	3,903	3,260	444		2,600
Private sector*	−432	30	368	572	538	(2,654)	(944) (say)	(1,044)	(4,971)
Residual error	−53	−107	353	494	687			(−100)	
	0	0	0	0	0	0	0		0
* of which:									
Persons	1,243	639	1,122	870	3,874				
Companies	−1,675	−609	−754	−298	−3,336				

Not seasonally adjusted

Source: Midland Bank Review

An element of bluff

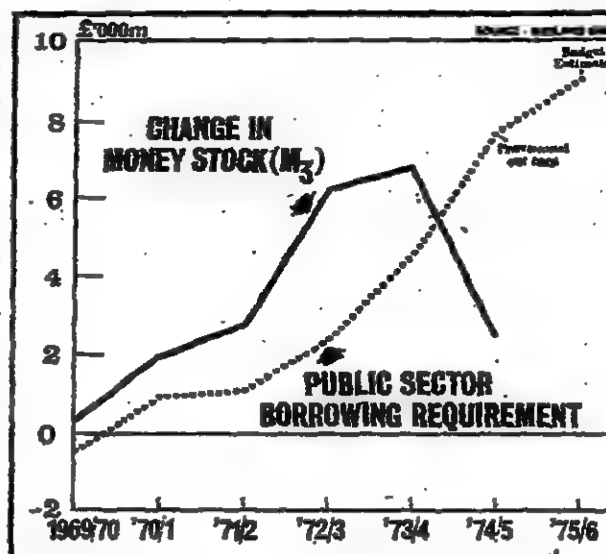
As a picture of a stable monetary regime, it is admirably realistic; but there is, of course, an element of bluff, as there is in any official incomes policy. A sufficiently determined union can strike against redundancies, as it can strike against norms. There is a further element of bluff in the presentation of the reserve legal powers as being directed against employers. To make it illegal for an employer to pay out high wages is an odd way to punish him, as some trade unionists have detected. It is aimed against militants.

Clearly, the Government's hope is that by stating the problem in language which appeals to everyday household experience—cash limits may appear baffling to civil servants, but they are readily understood by housewives—and by introducing its curbs at a time of high and rising unemployment, it will discourage virtually any attempt to call its bluff. The prospects look quite good in this respect; wage pressure has abated of its own accord in every country in which recession has reached the kind of levels now suggested by the British figures—output down by 8 per cent., order books still weakening, employment prospects worsening. The extraordinary continued levels of personal saving—12.6 per cent. of disposable income in the first quarter, against 11.2 per cent. a year earlier—tells its own story of low confidence in the future, and possibly of a preoccupation with rebuilding savings eroded by past inflation.

There is also a second and more important element of what may be called bluff. The Government is making a virtue of necessity in introducing an incomes policy reinforced by recession. But it also clearly hopes to achieve much greater public and shop-floor support for incomes policy generally through the adventitious success of the one now proposed. The idea of a central economic bargain, as practised for many years in Sweden, has always appealed strongly to some Labour politicians, though generally a minority. Recent experience, however, has now convinced a larger number, and some trade unionists, that only some co-ordinated planning of income growth can make it possible to reduce unemployment substantially without renewed inflation. In a sense the Government has trapped itself in a continuing incomes policy, for the danger of the part-illusion it is creating is that so far as workers believe that it was incomes policy which restrained their wages, they will be inclined to go on the rampage again as soon as the policy is abandoned.

In a sense, such a policy may be described as humanitarian: assuming that the Government means what it says about controlling the money supply (and I will return to this point later), the policy is designed to restrain trade unionists from battering their heads against the brick wall of cash limits.

For better or for worse—in terms of the Labour movement's marriage contract—the job must be done the TUC's way. The trouble is that the policy is not simply designed to stop the "lunatic merry-go-round." It is designed, as the White Paper makes very clear, to allow a large recovery in profits. Unfortunately, profits have lagged so spectacularly behind employment incomes in the past two years—gross profits have risen only 23 per cent., and profits net of stock appreciation have fallen by 20 per cent., while earnings have risen by 50 per cent.—that to correct this with trade union consent will be difficult.



In fact, the whole policy gambles rather heavily on the timing of the business cycle. The downturn is relied on to make the initial severe restraint stick without too much strife; the subsequent upturn should help to restore the share of profits in national income without the help of unnatural feats of restraint. What is equally clear is that the Government is relying on the business cycle to make sense of its economic strategy as well.

Broadly, the Treasury view is that the incomes restraint will very closely validate the forecasts for revenue and expenditure presented with the April Budget, with a financial deficit of about £7.6bn., though the borrowing requirement will be a little higher at £9½bn., on account of lame duckery. This is plausible, despite the apparent and much-publicised slippage in the first quarter of the financial year, because it now seems to be well established that at recent inflation and deficit levels, the Government's finances suffer what has become known as "reverse fiscal drag."

Even if Government revenue rose at the same rate as wages, a large deficit would also grow at the same rate in a period of inflation; but since taxes on income are a smaller proportion of Government revenue than wages are in public sector costs, a wage-led inflation makes the deficit grow *faster* than the rate of inflation. Wage restraint, therefore, ought to win back the ground lost so far this year.

But is a deficit of £7.6bn., and a borrowing requirement of £9½bn., compatible with an anti-inflation policy? This is the question which has been loudly and immediately raised by the CBI, the Conservatives, and some City commentators.

There are two forms of plausibility check on this. The first is the financial accounts, which compare the *net* saving of various sectors, of the economy—that is, saving less expenditure on new physical capital. A balance of payments deficit on current account is treated as "saving" by the foreign sector, since its income from the U.K. exceeds its expenditure here: and since one man's loan is another man's debt, they should all add up to zero.

The accompanying table shows these balances—a surplus is a net acquisition of financial assets (as opposed, be it noted, to real assets) for 1974, with projections into next year. These are Midland Bank estimates published in May, which are convenient because they are based on assumption very close to those still made by the Treasury. The essential point is that they assume a current account balance of payments deficit of £2.6bn. for the present financial year; and in spite of the recent spectacular improvement in the monthly figures, the Treasury is also thinking on these lines. The reason is that the trade figures have improved largely because of an enormous run-down in stocks; and although this is not over yet—the heavy drop in output while retail sales are only flat tells the same story—it cannot, in the nature of things, go on for ever. You cannot work on negative stocks.

Now a balance-of-payments deficit drains purchasing power out of the economy; it finances part of the Government deficit through running down the reserves, or foreign borrowing; and, in the table, it leaves a smaller balance, of just under £5bn. to be found by the private sector. Will the private sector really want to increase its holdings of financial assets—gilts, building society deposits, bank balances and the rest—by this enormous sum? The answer is almost certainly that it will, *so long as the economy remains depressed.*

In the financial markets what matters is the Government's borrowing requirement rather than its net deficit; but even here, in a recession, the sums look manageable.

Broadly, the Government needs to borrow some £7bn. domestically. Some £3bn. can come out of a "non-inflationary" increase in the money supply, in line with national income. That leaves about £4bn. to be raised by selling Government stock to the non-bank public. Given that the public actually bought £4.1bn. of gilts in calendar 1974, this looks a possible figure. It is true that companies are raising some £1½bn.-£2bn. in the markets this year—but in 1974 the investment institutions were piling up enormous bank deposits waiting for a more favourable market. The incomes policy itself improves the chances: a prospect of reduced inflation must make longer-dated gilts highly attractive, as witness the exhaustion this week of the long tap stock, and a broker's circular describing long-dated gilts as "that rare thing, a virtual one-way option"—with the strongest possible recommendation to buy. As the chart shows, the assumption that a large borrowing requirement must mean a huge increase in the money supply is quite wrong. That depends on whether there are willing investors, or whether the Government is driven to bank finance.

Timing is crucial

The whole strategy—financial and incomes policy—therefore depends crucially on whether the Government has read the business cycle correctly. There is no surprise in this: Government timing is always crucial, and all too often wrong. The really big change is that where previous anti-inflation attempts—notably Mr. Edward Heath's—were based on the hope that the economy was reviving (and would therefore deliver rewards for virtue), the new strategy is based on the clear expectation that the economy will remain depressed, at least for a year (and so deliver punishment to the guilty). The guess looks all too plausible, especially since the incomes policy is itself rather deflationary (it will reduce real incomes by 2½ per cent. according to the Government, and more according to outside commentators).

What happens if Mr. Dennis Healey has his timing wrong, and demand exceeds expectation? Just the reverse of what happened last time round, if Mr. Healey is as grim as his word. When Mr. Heath's plan went awry, he tried to stimulate the economy to live up to his plans; if Mr. Healey is wrong, he will have to engineer the depression he is assuming.

Higher taxes, higher interest rates (a possibility implied by the promise of tight monetary policy) or savage spending cuts are therefore a possibility; but it is sheer masochism to insist that they are a necessity at this point. On present evidence, the recession will be as deep as Mr. Healey's plans assume without any further assistance from him.

Letters to the Editor

Spending on food

From Mr. R. Key

Sir,—It is misleading for Mr. L. R. Smith (July 2) to tell his wife that "anyone knows you can get a good wholesome meal anywhere for 17.51898p," (the national average?) Some people do not know it, and "it" depends on what you mean by "get." One suspects, also, that to some, price is so much part of the flavour as to be a considerable component of their idea of wholesomeness.

It happens that on the day of Mr. Smith's letter all the constituents of our evening meal were bought:

Cost per person (2):

Cauliflower	3½p
Cheese	5p
Bread, butter, orange peel marmalade	2.51898p
Soup (ham juice and tomato soup powder)	3p
Coffee	1p
	15.01898p

I now have to confess that a half-pint of Guinness spoiled the total on this occasion, but on another day the beer might have been home brewed, the veg. home grown, the soup without commercial flavouring, the cheese bought for less, the bread home made. It is not difficult nor very time consuming to make many good meals for less than 10p each. It is certainly possible to eat less well for much more.

R. G. Key.
103, Broadbottom Road,
Mottram-in-Longdendale,
Hyde, Cheshire.

The mails

From the Chairman,
Elliot Right Way Books.

Sir,—I have been having a battle about the Post Office, and one of the people to whom I wrote replied that of course it cannot allow private enterprise to deliver letters because if it did so, it would only deliver to profitable areas and not to outlying villages, etc.

I cannot understand this. Why should it be any different with parcels? The Post Office delivers parcels everywhere, yet private enterprise is legally permitted to do the same. Many companies today are using private enterprise parcel delivery costing less than a third of what the Post Office charges, and still showing profits to the carriers concerned. As to delivering letters, just before the war there were two firms, one called Carter Patterson, and the other Suttons, who delivered packages or parcels of any size, even, for example, a single paperback book if I remember rightly, to any address in Britain. In those days delivery was made I believe within 24 hours, but places like Devon and Cornwall I think had a longer guaranteed time, 48 hours. One thing is absolutely certain; we will never get any greater efficiency in the Post Office until it gets a little competition.

Andrew G. Elliot.
Kingswood Buildings,
Lower Kingswood,
Tadworth, Surrey.

Sovereigns

From Mr. W. Whalley.

Sir,—Mr. Edward Holloway's letter of July 8 showing changes in the value of money since 1914 is very much to the point. It is interesting to note that the 1914 pound itself, namely the golden sovereign, has held its value well retailing at £28 or so. Even in respect of housing the 1914 money is holding its own. The terrace cottage built in 1890 which sold in 1914 for 350 sovereigns sells for the same figure to-day. It is noteworthy moreover that the man living in that dwelling in 1914 took home 1½ sovereigns per week, while the man living in it to-day takes home just about enough paper to purchase 1½ sovereigns per week. There seems to be a lesson somewhere in these facts.

W. C. R. Whalley.
105, High Street,
Hungerford, Berks.

Eyesore tax

From Mr. J. D. Roberts

Sir,—The time has come when attempts to rescue us from economic disaster hold little interest. We should now abandon false hope and concentrate on outward appearances, while providing as much extra income for the State as we can bear.

London, like many other British cities, consists largely of wasteland and boarded up properties, while great areas are covered by stationary vehicles (by definition doing nothing) all day. I suggest an Eyesore Tax, levied at varying rates. The highest would be imposed on corrugated iron covering empty property/derelict sites: the rate rising exponentially with time. Much lower rates would be applied per square mile of dereliction actually exposed to view, while tax rebates for grassing over/removing eyesores would be generous.

How to collect? As the various levels of Government make the most eyesores, directly or indirectly, it is unfair to ask them to tax their own inefficiency. Instead, something nearer the local people. From an annual allocation (at Christmas) each citizen would be entitled to cast Eyesore Tokens into the offending Eyesore. As in Ancient Greece, get enough potsherds with the same name named and you may call a trial. The tax would be collected by Eyesore Wardens dressed in beautiful German forestry uniforms: rank indicated by the appropriate number of pine cones. There would be an Appeals Court but such appeals would be discouraged by extra taxation on unsuccessful parties.

There is quite a backlog of Eyesores to be taxed (although some of the tax base is being eroded by natural vegetation), so a long running in period can be expected. Regrettably, getting rid of Eyesores (and thereby evading tax) might prove all too easy. Bulldozing the average site and spreading a few inches of soil for grass/trees might take only hours, with or without bob-a-job week. The unemployed and even schoolchildren might be manipulated into such toil. Similarly, it might prove all too easy to let council properties, even without central heating and sauna baths. Pressure for revolutionary ideas such as allowing free rents might build up and so threaten the supply of private boardings-up. By that stage, however, a new and much more easily administered source of revenue could be drawn on: tasteless office blocks so conveniently taxable en bloc. Admittedly, even on these new buildings, the tax base would tend to be eroded, as property developers, architects and town planners were no longer recruited exclusively from the blind.

J. D. Roberts.
3, Albion Terrace, E.8.

Bill of Rights

From Mr. D. James.

Sir,—An interesting point is raised by the suggestion that a Bill of Rights is needed to protect liberty. Put quite simply it is whether or not individual members of Parliament have finally succumbed to the temptation of divesting themselves of responsibility for protection of individual freedom.

Parliament always has the power to roll back the surging tide of bureaucracy and restriction. It is sovereign in every aspect except where its powers are curtailed by EEC legislation. Even that limitation depends on the continuing assent of Parliament.

Emancipation of the electorate must commence with the freedom of individual members of Parliament to speak openly without fear of reprisal from their party leaders. It is a sad reflection on the party system that a large proportion of Parliamentary candidates are of poor quality and when elected become mere puppets of their masters.

Last year, the electorate witnessed the spectacle of Mr. Enoch Powell—vociferous in the protection of individual freedom—exercising the final sanction on those who were allowing personal liberty to be eroded. He quit the party he had served for many years. When one has to go to those lengths then politicians really must do some soul-searching.

I am somewhat puzzled as to how Messrs. Kilfedder and du Cann have fallen into the trap of not recognising the underlying cause of that which they are complaining of, particularly as neither could be described as a "yes" man. Perhaps it is really too late to save ourselves.

David James.
8 Sheep Street,
Wellingborough, Northants.

Movement in London

From the Secretary,
Movement for London.

Sir,—Mr. G. J. A. Stern (July 5) is letting his imagination run away with him a little, in his indignation at the Secretary of State for the Environment's decision to improve the A1 Archway Road between Winchester Road and the Great North Road. A scheme "twice as wide as Westway, costing over £35m.," he claims. Well, no, not exactly.

According to the Department of the Environment's statement made on April 7 this year, the road will be built to a dual two-lane carriageway standard (with three lanes in the vicinity of Wellington Junction) and with provision for widening to a complete dual three-lane road should this prove necessary in the future.

Westway runs to dual three-lane motorway standard throughout, plus slip roads. It can in no way be described as half the size of the Archway scheme.

I would also doubt Mr. Stern's finances. According to the DoE publication, "Roads in England," issued this month, the total bill for the Archway scheme is currently estimated at £9.4m., not £35m.

Archway is at long last being widened, not to suit the commuters as Mr. Stern claims, but to allow essential traffic—freight and business, as well as private—to move through the area most efficiently and with least damage to the overall environment of the area.

That is why we as a movement representing industrial, motorist and employers' organisations throughout London, back this scheme.

Andrew Warren.
26, Manchester Square, W.1.

Rights issues

From Mr. D. Buckley.

Sir,—In deciding on the price for a rights issue a company can choose any figure so long as it is not below the par value of the shares though it will usually be at a discount to the market price. In cases where the market price is well above the par value, shares can be issued at a large discount on the market price which will make them appear attractive to shareholders but the effect on the price of the existing shares must not be overlooked.

In Mr. Goslin's case (July 5) he takes the price of 10p for the Plantation Holdings issue and compares this with the selling price of 39p but ignores the effect of the issue on the price of the old shares. On July 11, 1974, when the old shares were quoted ex the rights issue the price fell by 9p. Taking the issue terms of one new share for three old this represents a fall per new share of 27p—virtually the whole of the premium, as one would expect. So the "profit" on the sale of the new shares is almost balanced by a "loss" on the old and it will be clear that there is no 400 per cent. capital appreciation, as he claims.

I am sorry that I credited Mr. Goslin with only one dividend instead of two (June 30), but I had no means of knowing whether he had sold ex or cum dividend. Here again, however, he is in error since his real cost is not 10p but 37p (10p issue price plus the depreciation on the old shares), which makes the yield approximately the 6.6 per cent. shown in the columns of the Financial Times rather than 25 per cent.

Deryck Buckley.
16, Wood Ride,
Petts Wood,
Orpington, Kent.

The attack on inflation

WAGE CONTROLS

Deliberate absence of detail

ANYONE WHO was expecting an elaborately detailed pay code aimed at covering every conceivable anomaly during the next wage round will be disappointed by the White Paper. Its lack of detail is deliberate; the begging of questions calculated. Despite the statutory back-up powers kept in reserve, Ministers hope that the policy is straightforward and simple enough to operate on the basis of consent, and that there is a mood in the country sufficiently powerful to inhibit any deliberate flouting of it.

The White Paper's message is simple enough: employers and unions negotiating pay deals for the 1975-76 bargaining round must not for all workers earning up to £8,500 a year, agree settlements above the £6 flat-rate ceiling. Unions must not regard the £6 as an entitlement, since not all employers will be able to afford to pay the full amount. The flat rate rises during the next round up to August 1, 1976, will be regarded as supplementary payments, which means that there must not be any "knock on" rises through enhanced overtime, holiday or other special payments.

Pursuing the aim of simplicity and deliberate inflexibility, the policy admits of few special cases. Wages Council proposals already published and awards from arbitration references made before the White Paper's publication can be implemented, and final steps towards equal pay for women by the end of *this year need not count against* the limit. But most other extra payments made between now and August 1 next year must count against the £6 ceiling.

This applies equally to white-collar workers' jealously guarded incremental salary scales where such a scheme is *not self-financing — that is,* where increments actually add to an employer's total wage bill for the year, the extra cost must be offset against the £6 ceiling. But this should not happen where there are enough employees leaving or retiring to balance those climbing the incremental pay ladder. In this case all employees could receive their incremental rises plus increases of up to £6 a week.

Other increases which will *count against the pay ceiling* are implicit in deals already made covering around 4m. workers. Agreements which provide for staged pay rises after August 1 and ongoing threshold deals will all count against the ceiling when the deals come up for renewal.

This provision could well raise loud squeals from a wide spectrum of groups. Many will be as easy to monitor as the postmen, for example, who under their current deal, have a threshold agreement which is already triggering 1 per cent. pay rises for each 1 per cent. in the retail price index and has so far yielded £2 a week rises. If their total increases between August 1 to next January under this add up to more than £6 a *week, Mr. Tom Jackson's men* will be able to keep their money, but can expect no more. If they add up to £4, for example, the maximum rise the postmen can look forward to from their next deal will be £2 a week. London Transport busmen and railwaymen are *among several other groups of* workers which will be similarly affected.

Far more difficult to keep under close public scrutiny will be 2.5m. engineering and shipbuilding workers. Their national minimum rates are due to rise by £6 a week by next February, but this will not in most cases yield equivalent increases in pay packets, whose size because most people earn more than the minimum is largely determined *through local bargaining.*

Other staged deals which will run into similar problems cover 175,000 railwaymen and 40,000 merchant seamen. Mr. Ray Buckton's dislike of the flat rate principle's effects on his *train drivers' differentials* will be fired by the fact that the 2.5 per cent. second stage rise due to railwaymen on August 4 will count against the £6 limit when they come to negotiate next year. Similarly, a 9.7 per cent. basic rate increase due to the seamen next January will *count against the limit when* they come to make a new deal next June.

The White Paper presents a major problem for the electrical contracting industry which has already made an agreement giving 70,000 workers 18 per cent. to 24 per cent. *increases from next January.* It appears that this will now have to be renegotiated.

The disruption to collective bargaining is clearly evident and over the next few weeks employers and unions will become painfully aware of how little scope is left to them. Plans *to introduce new schemes for* increasing productivity and piecework payments must now be shelved. The ban on new schemes means, for example, that the National Coal Board, which is dissatisfied with its existing version, is unlikely to be able to renegotiate it. Complaints about the policy will be loud and numerous long before negotiations start in the autumn for 1.25m. local authority and hospital ancillary workers.

John Wyles

PAY DEALS SETTLED AND IN THE PIPELINE

MAJOR EXISTING AGREEMENTS WITH PAYMENTS TO COME	
70,000	electrical contracting: 18-24.5% on national rate from January.
2.5m.	shipbuilding and engineering: final stage of national rate rise due in February.
115,000	BSC manual: end-December cost of living review of 7-month deals.
200,000	postmen: 1% threshold agreement already triggering.
65,000	ICI: future threshold.
38,000	London Transport: ongoing threshold (main element of deal).
55,000	British Airways: threshold trigger imminent.
100,000	policemen: 19-38% rises due September 1.
175,000	railwaymen: 2.5% second stage of arbitration award from August 4.
40,000	seamen: *9.7%* second stage of arbitration award from January.
120,000	Co-op retail: 3.5-6% rises from August 25—third and final stage.
STILL TO SETTLE THIS ROUND; OR CLAIMING INTERIMS	
15,000	BSC blastfurnacemen—rejected 14% "*new money.*"
12,000	Rolls-Royce at Derby: claiming "substantial."
30,000	drug and fine chemicals: talks not started.
80,000	clothing workers: "social contract" claim for September 22 settlement.
19,000	BBC staff: talks halted—October settlement.

POLITICAL APPRAISAL

Skilful management

THE White Paper represents a political compromise of some subtlety, but one in which the left wing of the Labour Party are, on the whole, the losers. Admittedly, the Treasury, which wanted a statutory incomes policy introduced on the spot, has had to make do merely with a promise to introduce a statutory policy if things go wrong. Moreover, it has had to accept its "back-up" policy in a fairly weak and putative form; for while Mr. Denis Healey argued at his Press conference that the introduction of penal legislation would be more acceptable when it was seen to be essential, this is not necessarily the case. The turmoil and frustration within the Labour Party may grow worse and make the passage of legislation far more difficult in three or six months' time than it would be to-day.

There are other, less important concessions to left wing opinion as well. The £150m. to be spent on rent and food subsidies is certainly one *of these; and we may hear next* week that MPs and Cabinet ministers have to suffer in salary in order to encourage others. These concessions, together with the fact of the *reluctant* acquiesence of the TUC and the redistributive effect of a flat rate norm have enabled Mr. Michael Foot to remain in the Government. And while Mr. Foot remains in the Government it is difficult for Mr. Anthony Wedgwood Benn (the only other *serious pretender to the* Martyr's crown) to march out.

On the other hand, the reality of the situation is that Mr. Healey and his supporters on the Centre and Right of the Cabinet have got pretty much what they need. The important parts of the package are the *declarations of intent with* regard to the public sector; the cash ceilings to be introduced in many categories of public expenditure; and the clear commitment to introduce statutory policy, with immediate effect, as soon as the pay norms are seriously breached.

It is of course arguable that these comprise only the skeleton of a policy and that everything will depend on what flesh is put upon them. There is a good deal of truth in that. We cannot be certain that the Government will stand up to *strikes in the public sector,* that it will stick to its guns on public expenditure, and that it will slam in its back-up legislation at the first sign of trouble. All these things depend on political will, and where political will is concerned one can never be sure.

But the essential thing about the Government's package is that it makes it much more likely than ever before that the political will will, in fact, be forthcoming. In the first place Ministers are aware that, because the promises are down in black and white, the risks of not fulfilling them are now vastly amplified. If Mr. Healey had not made his statement ten days ago and the White Paper had not been produced, it can be plausibly claimed that sterling would have survived on a milder set of measures than is now envisaged. But once a commitment is made, the stakes are *immediately raised.*

More important

Even *more important,* however, is the political fact that the left wing, and to some extent the trade unions, are now closely enmeshed in the Government's *policy. Rival stories of what* actually occurred in Thursday's Cabinet are already being put about. But there is a formidable weight of evidence that Mr. Foot and Mr. Benn put up no more than a token resistance to the policies finally endorsed. Each is now committed, since neither *has resigned, to the proposition* that a statutory policy may under certain circumstances be desirable, and also to the more general proposition that the normal processes of free collective bargaining are being rightly influenced by the Government and the living *standard of workers rightly* depressed. The TUC is less enmeshed than this but it is still committed to some of the same propositions.

The whole operation, in short, leaves the left in a considerably exposed position in Parliament—at any rate for the *time being. The Tribune group* is obviously split between those who think that what is good enough for Jack Jones and Michael Foot is just about good enough for them and those who regard these great men as having betrayed their Socialist principles. There is certainly only a tiny rump who would prefer to bring down the Government and face the future with a clean sheet in Opposition rather than subscribe to what is being proposed.

The number on the Labour left who actually kick over the traces on *the legislation to* strengthen the Price Code will vary to some extent depending on how it looks as if the Conservatives will behave. The most likely Conservative response, in view of the deep divisions on incomes policy on that side of the House, will be to introduce a reasoned amendment proposing various criticisms of the package but to abstain on the main question. This would allow left-wing objectors the luxury of risk-free protest. But the rebellion is still likely to be insignificant.

The first test of Mr. Healey's strategy will obviously be its effect on external confidence in the coming weeks. The main political test will come in the autumn and winter. The TUC Congress can be expected to expose some very deep divisions to the public gaze and the Labour Party Conference will provide the Left's most promis*ing base for a counter-attack.* Assuming, as seems likely, that the Government survives these softening-up procedures, the question thereafter will be whether ministerial nerves hold as unemployment continues to rise, as the extremely unpleasant consequences of the cash ceilings are felt upon public expenditure and, above all, as powerful unions in the public sector contemplate confrontation with the Government.

At present I should judge that there is a strong majority in the Cabinet for holding out against most such assaults but only a minority in favour of holding out against the two most difficult groups — the miners and the power workers —at all costs. It is on this kind of issue that the divisions in the Cabinet will re-emerge. But for the time being the Prime Minister and the Chancellor must be given credit for a *remarkable feat of political* management.

David Watt

PRICES AND SUBSIDIES

Hobson's choice for employers

THE FULL meat of the Government's plans for direct action on prices is contained in Paragraph 21 of the White Paper which states quite simply that employers who concede pay rises above the agreed norm will not be allowed to pass on any of their increased wage costs in higher prices.

The other paragraphs in the White Paper under the subhead *Prices and the Protection of the Consumer,* are mostly loosely worded hints of action to come, and, in some cases not much more than window dressing. The effect of increasing food subsidies again, for example, is likely to be far more significant in terms of politics than in terms of the Retail Price Index.

When the Chancellor first said he intended using the Price Code to stop employers paying over the odds, few people envisaged such a tough-looking clause as has now emerged. For a start, it disallows not just the excess over £6 but the whole increase. Thus an employer who was persuaded to pay his workers more than an extra £6 a week would have to pay the entire cost of the settlement out of profit. The White Paper also makes it clear that less profitable companies should not expect any leniency. Under the present Price Code, companies making a loss or a low profit are allowed some relief from the allowable cost rules. Now all companies, regardless of their financial plight, would be covered by the same sanctions, although these only bite effectively if market conditions would otherwise have allowed a price increase.

The exact nature of the planned amendments to the Price Code are to be spelt out in a consultative document to be published shortly—probably late next week. But the White Paper clears up two other points on the Code which the Chancellor's statement last week left unclear. Sir Arthur Cockfield, chairman of the Price Commission, will not, after all, take over all the functions of the defunct Pay Board. The Government will itself decide whether any pay settlements exceed the limit. More importantly, the White Paper also makes it clear that nationalised industries will be bound by the same provisions as private industry—one of the big worries last week was that the nationalised industries might not be covered by the excess pay clauses and that their price rises might outweigh all the benefits of lower settlements in the private sector.

On the face of it, the proposed change might seem like the final nail in the coffin of a company *faced with militant demands for* a pay settlement over the £6 limit. Indeed, if it was left to the Price Code to hold back the flood of wage demands, companies would seem to be left with a pretty frightening Hobson's choice between being driven into the ground by strikes on the one hand and being unable to raise prices to reflect higher costs on the other.

But the amendment has to be seen both in the context of the Government's threat to take reserve powers to deal with employers who pay over the odds, and the whole tenor of the White Paper's remarks about the state of industry. If industry can take heart from any one thing in the White Paper, it is that the Government has gone on record in saying that companies cannot tolerate any significant tightening of the Code. Price controls, the White Paper says, already ensure that a lower rate of increase in pay is reflected in a lower level of price rises. "However, particularly with present levels of unemployment, the Government do not intend to push price control to the point where it would endanger employment and investment," are the words of comfort.

As expected, the White Paper is vague about the Government's plans to ensure that a lower rate of wage inflation is matched by smaller increases in the shops. The Retail Consortium and the Confederation of British Industry appear to have con*vinced ministers that* competition is working, and that profits cannot be squeezed further without affecting both investment and employment. Indeed, but for the political necessity of being seen to take action on prices in the shops, it seems likely that the Government would have left retailers to their own devices.

However, the Government has not given up the idea of trying to concentrate price cuts onto basic items. *It says that,* once it is clear that the pay limit is being "effectively observed," it intends to ensure that the rate of price increases on a range of basic goods is held down to about 10 per cent. How this will be achieved is not spelt out, but the Government still appears to be thinking along the lines of some kind of "cross subsidisation" scheme under which manufacturers would hold down prices of basic items at the expense of larger rises on non-essentials.

Talks on this will probably begin in the autumn with a view to implementation early next year. *Retailers have already* pointed out the enormous practical difficulties involved both in the shops and at the manufacturing end, but the Government warns that, if some price limitation programme cannot be agreed, it will take action to achieve "similar" results—pos*sibly by increasing the minimum* length of time allowed between price increases.

Earlier this week, the retailers' big worry was not so much how to satisfy Government demands for a price limitation programme, but how to cope with a £6 all-round pay rise. *It was estimated that if* £6 became the norm, rather than ceiling, it would add 20 per cent. to retailers' wage bills and virtually eliminate already hard-pressed profits. Faced with this, retailers would, the Retail Consortium argued, have no choice but to shed staff and, where *competition* allowed, raise prices. Similar arguments were put forward, too, by the food manufacturing industry, which also employs a large number of *low-paid women* workers.

Yesterday both industries welcomed the White Paper's stress on the fact that £6 was meant as a ceiling and not as an entitlement, and both took the reference to industries who might not be able to afford wage increases of this magni*tude as meaning themselves.*

Yesterday's White Paper went some way to answering some of the more obvious gaps *left after the Chancellor's state*ment last week. But the Hobson's choice still remains and it is still not clear what protection will be offered to companies whose employees strike for more than £6.

Elinor Goodman

LOCAL AUTHORITIES

The two checks on spending

IN ROUND figures, local authorities draw about 20 per cent. of their revenue income from rents and charges for local services, about 30 per cent. from the rates, and about *50 per cent.* from the Government in the form of Exchequer grants. Charges for local transport and trading services are already governed by the Price Code. As a concession to the TUC, the increase in housing rents next spring will now be limited to an average of about 60p a week, instead of the £1 or more which had been foreshadowed. And the rate support grant, from next November will be calculated on the assumption that new pay settlements from now on remain within the new £6 limit. Any excess will have to be met from savings elsewhere *or by* ratepayers.

Rate calls, however, will remain a matter for local decision. The Government has eschewed making any further inroads into local autonomy: there is no mention in the White Paper of any monitoring of local rate calls next spring, as was done during the last Conservative Government's statutory incomes policy, nor has the Government any present intention to supervise local budget-making. In the last resort, the Government is relying upon the willing co-operation of local authorities to make sure that the new pay policy is observed in this sector.

The Government is presumably hoping that the thought of the wrath of local ratepayers *next spring, when about a third* of all councillors in England and Wales come up for re-election, will help to stiffen local authorities' resolve. But all past evidence suggests that this is a somewhat inadequate —and certainly highly indiscriminate — discipline. The main sanction *Ministers intend to* rely on is their power to set, and vary, the rate support grant.

The rate support grant for this year was set in real terms last November. In the normal course of events, the payments — which are made monthly — *would be retro-actively adjusted* in the light of actual cost trends this coming November and again, for the period up to March next year, in November 1976. Similarly, the rate support grant for 1976-77 would be set in real terms next November, and retro-actively adjusted in *the two following Novembers.*

The trouble is that these calculations are made on a national basis (one for England and Wales, and one for Scotland). It would not be enough *for the* Government, therefore, simply to build the new £6 pay ceiling into the rate support grant arithmetic. Ways have to be found whereby the grant weapon can also be used *selectively* against transgressing authorities.

The Government is proposing to do this in two ways. First, it will seek new powers to restrict payment of grant to individual authorities, something which it is unable to do at present. Secondly, the White Paper states that Ministers will use their existing powers of control over local authority borrowing to reduce the capital spending of individual councils which over-step the pay limit — although it is not yet clear whether this would be done as a broad "slap across the wrist" or in a more refined fashion, in order to prevent councils from offsetting the cost of excessive pay settlements by reducing their revenue contribution to capital expenditure.

A third possibility is also mentioned. The White Paper warns that, unless staff numbers are tightly restricted, the Government "will have to reconsider the scale of provision of grant." An as yet unexplained increase in staff numbers has already been revealed by the new joint monitoring exercise, although the two sides differ on their interpretation, and, indeed, on their calculation of the figures.

The first real test of the new policy in the local government sector will come in the autumn *when local government manual* workers are due for their next increase. The teachers, whose claim for increases from April 1 this year is now at arbitration, and the police are presumably covered by the transitional loophole in the White Paper. But the effectiveness of the new arrangements will really depend on how long they last.

It is true that the Government is now determined to relate the 1¼ per cent. permitted growth in real spending in 1976-1977 to the permitted figure this year rather than to what is actually being spent, which so far looks like being somewhat higher. But will the ceiling on pay increases for grant purposes be continued in future years or will the periodic inflation adjustment to the grant after 1976-77 be based on actual cost trends, which would let transgressing authorities off the hook?

As it is, local authorities will be hard put to decelerate the growth in their spending next *year in both volume* and current terms. Unless the Government hugely steps up the proportion of local spending which is covered by the taxpayer, next spring's rate calls are not likely to be pleasant reading.

Colin Jones

COMPANY NEWS + COMMENT

AB Foods good start to current year

THE BASIC strength of Associated British Foods, the bakeries, foods and supermarket group, was stressed yesterday by chairman, Mr. Garry Weston, at the annual meeting where he also disclosed that a "good start" had been made to the current year.

Mr. Weston warned, however, in advance of publication of the Government's latest White Paper, that if a £6 a week wage rise limit was allowed rather than the Chancellor's 10 per cent. maximum, it would be "bad news" for the housewife since £6 was equivalent to a 20 per cent. or more wage increase for a very large section of the British food industry.

Reporting the good start, Mr. Weston said that although the year's profit results in Britain would be largely determined by the operation of the Government's control on margins—unless there were considerable changes in the present operation—the company had never been in better physical condition. Nor had its balance-sheet been stronger.

These factors "must give us comfort, in the face of the present prospects ahead of this country's economy, and provide the basis for renewed real growth in the years to come," he commented.

Pointing to the company's falling margins in the past two years—down from 4.6 per cent. to 3.6 per cent.—Mr. Weston said increased profits had been achieved only by achieving very large sales rises.

He felt the food industry, having already sacrificed margins, had "very little left with which to absorb cost increases."

Outlining the capital investment programme in recent years, Mr. Weston spoke of the new £4m. bread factory at Waltham Forest opening at the end of the summer and which would almost complete the rebuilding programme started in 1967. Capital expenditure in this period had resulted in 35 per cent. productivity growth.

The biscuit, potato crisp and Ryvita factories had never been in better physical condition. The new Twinings factory in Paris would open later this month as would the new £1m. vegetable freezing plant at King's Lynn.

The retail division had also been allocated large and continuous funds for development.

In all, just under £200m. had been spent on modernising and replacing basic assets in the past seven years, Mr. Weston said.

HIGHLIGHTS

Concluding this week's series of rights issues are **CompAir**, which is raising some £3.7m on a two-for-nine basis at 45p a share; **Feedex** with a one-for-one at 10p calling for some £400,000; and **A.C.E. Machinery** offering two-for-one at par to raise £245,000. Of the day's results, **Glass and Metal** at half-time is making sound progress but **Hollas Group** has had a poor year with profits down by over £½m.: the dividend is, however, being maintained. Less fortunate is **Wearra Group** with declining profits made worse by the cost of factory closures and a consequent passing of the interim dividend.

Humphries Hlgs £0.92m. loss

Developers and printers of motion films, **Humphries Holdings**, announce a pre-tax loss of £917,833 for the year to March 31, 1975 compared with a profit of £126,338 the previous year.

The 1974-75 total is struck after extraordinary debits of £83,634 (nil) and follows a halftime pre-tax loss of £87,200, against £77,100 profit.

There is again no dividend. The last payment was made in 1970-71.

	1974-75 £	1973-74 £
Extraord. item	107,614	—
Pre-tax loss	917,833	†126,338
Tax	25,414	47,469
Net loss	943,147	†173,469
Minorities	15,932	†15,631

† Profit. ‡ Debit.

Paisley Bldg. growth

Assets of **Paisley Building Society** increased by £598,035 to £10.1m. during the half-year to June 30, 1975. Liquid funds amount to £1.4m. and the general reserve is £207,001.

The amount paid in by investors was £1.8m. (£948,661) while withdrawals amounted to £1.2m. (£1.1m.) giving a net investment intake of £550,403 (£165,724).

Loans advanced during the half-year totalled £1m. (£530,845) and loans approved but not yet advanced amount to £376,000 (£81,000).

Although recent months have seen an improvement in the inflow of funds, the demand for loans remains strong, and there is no immediate prospect of the Society relaxing its present policy of accepting loan applications only from those with an existing connection with the Society.

Expansion at Glass & Metal

PROFITS FOR the current year of **Glass and Metal Holdings** should show a satisfactory increase over the £611,000 achieved in the year ended October 31, 1974, the directors forecast.

In the first half, profits have risen £95,528 to £326,981. Earnings are shown at 3.9p (2.7p) per 10p share.

It is anticipated that the year's dividend will be the maximum permissible—in 1973-74 net payment was 2.35p.

	Half year 1975 £	1974 £
Turnover	[illegible]	[illegible]
Profit before tax	326,981	231,453
Taxation	170,050	120,412
Net profit	156,931	111,021
Minorities	1,934	4,184
Surplus property sale	6,296	187,237
Attributable	161,313	293,764

● comment

Glass and Metal has continued to improve its profit margins in the current year with a first half rise of 1.6 points to 15.1 per cent., lifting pre-tax profits by more than two-fifths. The group is still reaping the benefit of its recent investment in new plant—over £200,000 last year—which has enabled it to take full advantage of a fairly high level of demand despite some ill effects from the Splintex fire which occurred in the first half of 1973-74. With demand showing no sign of slackening the prospect of a further substantial improvement in profits in the second half looks good, especially since the group has apparently maintained a strong liquidity position (in the last balance sheet net cash amounted to over £540,000). At 30p the shares are yielding a prospective 9 per cent.

NatWest shop insurance

National Westminster Insurance Services is now offering a new insurance policy—the **Shop Protector**—designed to meet all insurance needs of the retail trade. The policy provides the usual cover to buildings and stock, and incorporates the special feature that if any of the insured perils interrupts business, including prevention of access, compensation of at least £5,000 would be paid for up to 12 months.

Cover for legal liability is also provided up to £250,000 where the public is involved and unlimited for injuries to employees. Work performed away from the premises is automatically included, as is liability for goods sold, supplied, packeted or processed. The policy is underwritten by leading insurers and at Lloyd's.

Hollas down £0.53m.

FROM turnover down from £10.56m. to £9.7m., taxable profit of **The Hollas Group** declined from £0.85m. to £0.32m. for the year ended March 31, 1975, after £0.18m., against £0.31m. in the first half.

The chairman, Mr. A. R. Lawson, says he is in no way despondent about the result nor does he see it as a major setback to the continuing prosperity of the company in the future.

He dare not be too optimistic about the current year but he is confident that the group "will perform at least as creditably and as profitably as last year."

Only the degree of improvement on that performance is uncertain, he adds.

Stated earnings per 5p share are down from 10.25p to 3.66p or, assuming full conversion of loan stock and further shares to be issued in deferred consideration, down from 8.85p to 3.28p.

Final dividend is 2.6p net, which makes a total 3.4375p, against 3.335p. Mr. Lawson says that one indication of the company's confidence may already have been gleaned from the decision to maintain the gross dividend at 5.23p.

Reviewing 1974-75, he says that most of the problems which have affected all divisions have been totally outside the control of the group.

The Fortwell Group changed its trading emphasis and was only beginning to make a profit impact. This policy has been "totally justified, although not without sacrifice of short-term profitability."

The property company had a quiet year in common with the property sector generally. It is significant, however, that no pressure can be put on the main group structure as a result of its activities. The property borrowings have been more than halved in the year and the portfolio is eminently manageable, he adds.

● comment

A great deal of **Hollas Group's** profit decline—over £1m. for the full year—has been self-inflicted in so far as the group has embarked on changing the function of some of its subsidiaries. The best example of this would be Fortwell which has accounted for some £300,000 of the setback. But clearly the Board has set great store by improving the basic financial position of the Group and the level of borrowings is now £0.7m. against £2.3m. in the previous year. The trading position is still far from healthy, but the main growth area appears to be specialist yarn processing—and this could involve an acquisition for Hollas in due course. For the time being confidence is expressed in a maintained dividend, but the market's feelings on the matter are plain enough in a 23.4 per cent. yield at 25p.

DIAMOND STYLUS

There will be a delay in issuing the accounts of **Diamond Stylus Co.** They will be published on October 22.

There is a contract for the supply of goods over the next two years, and this creates a substantial future liability which must be stated in the accounts. Diamond Stylus wishes to terminate the contract, but this has only been verbally agreed by the other party.

The company wishes to formally and legally have this contract waived before publication of accounts, and it is this which causes the delay.

£0.4m. rights by ACE Machinery

WITH THE announcement of its interim figures, showing profits ahead from £101,000 to £165,000, **ACE Machinery (Holdings)** announces terms of a rights issue to raise some £245,000.

Holders registered July 11 will be offered new shares on a two-for-one basis at par, payable in full on acceptance by August 22.

ICFC which, with associates, holds 43.95 per cent. of the equity, intends to take up its entitlement in full. In view of the substantial discount on the current market price the Board has been advised that the issue should not be underwritten.

Although liquid resources are adequate for present needs, increases in costs of materials, etc., are expected to generate the need for further finance. In addition, it is considered desirable to broaden the equity base.

After tax £85,000 (£54,000), net profit for the 28 weeks ended April 12, 1975, came out at £80,000 (£47,000). Earnings are shown at 15.65p (9.19p).

The directors are forecasting a "most satisfactory" profit for the full year and intend to pay the maximum permitted 2.754p net dividend on the enlarged capital, against £2.581p for 1973-74 paid from profits of £217,000.

Provisional allotment letters will be posted on August 1 and dealings (nil paid) are expected to start on August 4.

ACE manufactures construction equipment and mechanical dewatering plant, and makes and merchants railway points and crossings.

Trafford Carpets setback

After reporting a loss of £58,200 at halfway compared with a £88,500 profit **Trafford Carpets (Holdings)** incurred a loss before tax of £32,488 for the full year to March 31, 1975, against a profit of £120,423.

Loss per 25p share is given at 2.26p (earnings 7.28p) and a final dividend of 1.625p net—there was no interim—stands against last year's total of 2.451875p.

The company operates as carpet manufacturers and spinners and weavers of kraft yarn.

	1974-75 £	1973-74 £
Turnover	2,347,000	[illegible]
Depreciation	49,530	39,750
Leasing cost	[illegible]	
Interest	54,264	25,463
Pre-tax loss	32,488	†120,423
Tax	—	13,551

† Profit.

STEEL & BARNETT

The directors of **Steel and Barnett** have decided to change the date of the financial year end to August 31. Previously it was June 30.

The principal reasons for having done this are, they say, the trading volumes for the respective revised six-month periods will be more closely comparable and physical stocktakings throughout the year will be more conveniently programmed.

The change becomes effective immediately and applies to the present year hence financial statements will be prepared for the current 14-month period ending on August 31, 1975.

Results due next week

The major companies in next week's company news list show a bias towards the drinks sector, with **Distillers** topping the list supported by **Scottish and Newcastle Breweries** and **Thorn**. **Wilkinson Sword** features next week as do **Montague L. Meyer** and **Davy Ashmore**.

Distillers pushed interim pre-tax profits up from £37.6m. to £44.1m., but warned that the overall results for 1974-75 would be in line with the £80.2m. for 1973-74. At home the volume trend should have been encouraging, particularly in the pre-budget build up during the last quarter of the year, while profit margins will have benefited from price increases. But the squeeze on export margins has no doubt become more acute, while demand from overseas is showing signs of softening. The preliminary figures on Thursday should disclose pre-tax profits of around £88m.

After a setback of £1.3m. in **Scottish and Newcastle Breweries'** interim pre-tax profits (adjusting for non-recurring items) the second half is expected to hold level with the comparable period and leave full-year profits about £22m. (£23.3m.). Shortages of cans continued to be a problem, and beer sales are comparing with a period which was particularly buoyant but the figures should match up quite well. Meanwhile the hotel division continues to work towards break-even. Overall S and N's annual performance is expected to better the brewery average: the figures are due on Thursday.

Although slightly ahead of most expectations, **Thorn's** interim profits in January were 14 per cent. lower before tax at £28.1m. Most of that downturn appears to have originated in the lighting and tube division where demand was fairly low. A pre-Christmas strike appears to have prevented Thorn from taking advantage of what is normally a boom period for TV set sales but with engineering continuing to do well, and demand for domestic appliances steadying up, a full-year total of £64m. pre-tax, against £74m. previously, seems a reasonable hope. The final is due on Wednesday.

Wilkinson Match's interim profits in February were down from £6.1m to £4.5m, reflecting a generally low level of demand which resulted in losses in at least two divisions, wood chipboard and plywood. The traditional Wilkinson Sword activities still appear to be making progress and in the second half the group should be without any serious chipboard losses following the sale of Weyroc to Swedish Match in January. Excluding these completely from the figures, Tuesday's full-year profits should approach £9m. pre-tax, against £11.3m last time.

Full-year profits from **Montague L. Meyer** next Wednesday are bound to follow the downward trend of all the other timber majors. A performance similar to Southerns-Evans where profits fell a third looks likely, but nothing as poor as International Timber where the second-half fell into losses. Meyer is thought to have controlled its stocks quite well, and avoided buying Russian timber when demand at home was falling (one of the slips International Timber made). Borrowings could also be coming down, and certainly Meyer does not seem short of cash as it acquired a 50 per cent. interest in Keizer Venesta for £2.4m. in May. Pre-tax profits around £8½m. (against £12.8m. after additional pension provisions) are expected.

Davy Ashmore's first half profits are not always a good indication of the full year prospects but the £1m. jump in the half-time pre-tax level reported in January to £1,463,000 provided a good illustration of the buoyant activity which the group has been enjoying. The rate of new orders may have eased up slightly since the first six months but the group still appears to have a very strong work load and a pre-tax total of around £6½m. looks a fairly safe bet for the full year's results on Wednesday.

Also producing figures next week are **H. P. Bulmer** and **Howden Group** with their interim profits on Tuesday. **Union Discount** and **Vosper Thornycroft** are declaring the half-year figures on Wednesday.

Company	Announcement due	Dividend (p)* Last year Int.	Last year Final	This year Int.
FINAL DIVIDENDS				
Arlington Motor Holdings	Monday	1.4	4.48	[illegible]
Braham Millar Group	Wednesday	0.5	0.75	[illegible]
Bridgewater Investment Trust	Monday	—	Nil	—
British Building & Engineering Applncs.	Thursday	0.9	1.426	0.9
H. P. Bulmer	Tuesday	0.575	1.625	0.575
Crown House	Monday	0.525	1.122	0.525
Davy International	Wednesday	1.75	5.601	1.9
Distillers	Thursday	2.013	7.06	2.013
Emu Wine Holdings	Tuesday	—	0.225	—
F.M.C.	Tuesday	0.75	1.753	[illegible]
Hampson Industries	Monday	0.2	0.2	[illegible]
B.A.T. Group	Monday	[illegible]	[illegible]	[illegible]
Howden Group	Tuesday	1.1	2.758	1.4
Initial Services	Friday	0.575	[illegible]	0.575
Marston, Thompson and Evershed	Wednesday	[illegible]	0.514	[illegible]
Montague L. Meyer	Wednesday	0.7	[illegible]	[illegible]
Moorgate Investment	Tuesday	[illegible]	[illegible]	[illegible]
New Central Witwatersrand Areas	Wednesday	[illegible]	[illegible]	[illegible]
Oil and Associated Investment Trust	Thursday	[illegible]	0.911	[illegible]
Peterborough Motors	Thursday	[illegible]	[illegible]	[illegible]
Robert Riley (Holdings)	Monday	0.725	[illegible]	0.725
Richardsons Westgarth and Co.	Tuesday	[illegible]	[illegible]	[illegible]
Rothschild Investment Trust	Monday	[illegible]	[illegible]	[illegible]
Alexander Russell	Wednesday	[illegible]	[illegible]	[illegible]
Scottish and Newcastle Breweries	Thursday	[illegible]	[illegible]	[illegible]
[illegible] Smith	Tuesday	—	[illegible]	[illegible]
[illegible]	Wednesday	[illegible]	[illegible]	[illegible]
Stanhope General Investment	Tuesday	[illegible]	[illegible]	[illegible]
Thorn Electrical Industries	Wednesday	[illegible]	[illegible]	[illegible]
[illegible] Tomkins	Thursday	[illegible]	[illegible]	[illegible]
[illegible] Group	Friday	[illegible]	[illegible]	[illegible]
Wilkinson Match	Tuesday	[illegible]	[illegible]	[illegible]
[illegible]	Tuesday	[illegible]	[illegible]	[illegible]
[illegible] Holdings	Wednesday	[illegible]	[illegible]	[illegible]
Wyndham Engineering	Wednesday	—	1.47	—

Company	Announcement due	Dividend (p)* Last year Int.	Last year Final	This year Int.
INTERIM DIVIDENDS				
Bowater Engineering	[illegible]	[illegible]	[illegible]	
C. Davis	Thursday	[illegible]	[illegible]	
Dewhurst and Partner	Thursday	[illegible]	[illegible]	
Ferro Metal and Chemical Corpn.	Wednesday	[illegible]	[illegible]	
Foreign and Colonial Investment Trust	Wednesday	[illegible]	[illegible]	
General Consolidated Investment Trust	Tuesday	[illegible]	[illegible]	
Glasgow Stockholders Trust	Friday	[illegible]	[illegible]	
London and Lomond Investment Trust	Thursday	[illegible]	[illegible]	
Mann and Overton	[illegible]	[illegible]	[illegible]	
Myers Bros. Holdings	[illegible]	[illegible]	[illegible]	
McNeill Holdings	Tuesday	[illegible]	[illegible]	
Nottingham Patent Brick	[illegible]	[illegible]	[illegible]	
F. Pratt Engineering Corpn.	Thursday	[illegible]	[illegible]	
Romney Trust	[illegible]	[illegible]	[illegible]	
Scottish Northern Investment Trust	[illegible]	[illegible]	[illegible]	
Standard Trust	[illegible]	[illegible]	[illegible]	
[illegible] Group	[illegible]	[illegible]	[illegible]	
Stephens Holdings	[illegible]	[illegible]	[illegible]	
John Stephen of London	[illegible]	[illegible]	[illegible]	
Tar	[illegible]	[illegible]	[illegible]	
Thermal Syndicate	[illegible]	[illegible]	[illegible]	
Union Discount Company of London	[illegible]	[illegible]	[illegible]	
Vosper Thornycroft	[illegible]	[illegible]	[illegible]	
INTERIM FIGURES ONLY				
Dawson (Holdings)	[illegible]			
Greenfriar Investment	[illegible]			
H.T. Investments	[illegible]			
[illegible] Holdings	[illegible]			
[illegible] Investment	[illegible]			

* Dividends shown net pence per share [illegible]

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Charter Trust	int.	0.55	Aug. 15	0.55	—	1.5
Hollas Group		2.6	Oct. 1	2.68	3.44	3.56
Trafford Carpets		1.63	July 31	1.26	1.63	2.45
Wearra Group	int.	Nil	—	0.48	—	0.97
Whatlings	int.	0.18	Sept. 30	0.18	—	0.42

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues.

ISSUE NEWS AND COMMENT

CompAir's £3.7m. funding

Compair is raising £3.7m. by way of a rights issue of 8,519,429 shares on the basis of two for nine at 45p per share. Proceeds are to be used to reduce bank overdrafts in the U.K. The consequent strengthening of the group's financial position means that it will be well placed to continue expansion both in the U.K. and overseas, the company states.

The new shares will be offered to holders registered on July 2, and allotment letters will be posted on July 16 with dalings expected to start the next day. August 6 is het last day for acceptance and payment in full.

On the basis of a satisfactory outcome for the year the directors would expect to be able to recommend a final dividend for the current year of 1.93p per share (equivalent to 2.96923p gross). With the interim dividend this indicates a total gross dividend of 4.30769p, an increase of about 10 per cent.

The issue has been underwritten by Morgan Grenfell and Co., and brokers are W. Greenwell.

● comment

CompAir's £3.7m. rights seems small beer in relation to the total level of borrowings although it would halve the bank overdraft in the last accounts. Net borrowings equalled 65 per cent. of shareholders' funds, and that would be more like 75 per cent. now just assuming that the £2.2m. cash balances have been eroded and borrowings have remained static. However, CompAir believes in raising no more than it thinks necessary for the next year or two. The shares are offered on a 25 per cent. discount to the overnight price which seems about par for the course these days, and after the drop of 2p yesterday to 38p, the ex-rights prospective yield comes out at 8.1 per cent. The group has already shown an interim profits rise of a third and, although the second half will not be as buoyant, current order books are full enough to take the key group members to the year end. Backed by an average return on net capital employed over the past five years of over 24 per cent.—and something similar looks probable this time—the issue should have little difficulty in gaining acceptance.

FEEDEX RIGHTS

Feedex proposes to issue 4,501,185 shares by way of rights issue on the basis of one for one at par (10p), to raise after expenses £438,000.

In the two years to December 31, 1974 there has been net capital expenditure of £991,000 plus an increase in working capital requirements. Although borrowing facilities are adequate for present requirements the Board considers it advisable to make a rights issue to improve the capital structure and provide a better base for future expansion. At June 30, the group had short-term creditors (partly secured) of £1,460, secured bank overdrafts of £1,000,966 and hire-purchase commitments of £2,557.

WHEWAY POSTPONES

The rights issue which **Wheway Watson** announced last June 12 to raise £0.4m. on the basis of thre for five at par has been postponed. The directors state that it would be prudent to reconsider the timing of the company's investment and expansion plans and has therefore decided to postpone the rights issue to a more opportune time.

BRITISH INVESTMENT TRUST

British Investment Trust reports that holders of £52,640 6¼ per cent. Convertible Debenture Stock 1993 have exercised their rights to convert their holdings into 53,640 Ordinary Shares (25p) as at June 30, 1975. The relevant certificates will be dispatched on July 14, 1975. Following this conversion, £3,495,595 6¼ per cent. Convertible Debenture Stock 1993 remains outstanding.

PREMIER OIL

The rights issue by **Premier Consolidated Oilfields** has been taken up in respect of 24.1m shares (92.15 per cent.). Applications for 25.5m. shares were received for the 2.05m. excess shares available. The basis of allotment will be announced on Monday.

Wearra £88,000 deficit

A PRE-TAX loss of £88,000, compared with £104,000, profits, is announced by **Wearra Group**, formerly Wearra Shoes, for the half year to March 31, 1975. This includes a £149,000 loss incurred by a subsidiary at factories now closed.

For the full year to September 30, 1974 profit was £141,000

There is no interim dividend, compared with 0.483p net and 0.968p total for the year 1973/74.

The directors state that the closures have achieved their objectives and will enable manufacturing to be carried out more efficiently and economically.

	Half year 1974-75 £	Half year 1973-74 £	Year 1973-74 £
Turnover	2,424	2,471	5,105
Trading profit	43	126	193
Interest	24	23	34
Loss incurred by subsid. at factories now closed	149	—	—
Pre-tax loss	88	†104	†141
Tax	—	55	43
Net loss	88	†49	†98

† Profit.

Lane Fox asks for suspension

By David Bell

Lane Fox, a property company whose shares were reintroduced to the market two years ago and have been as high as 410p since then, has asked for temporary suspension of its shares because it cannot meet its commitments.

The company estimates that its liabilities total some £7.5m. with £2.5m. of this owed to Barclays Bank and a further £1m. to the owner of over 50 acres of land with planning permission for 1,500 homes at Alsager, near Crewe. A statement of affairs is now being prepared.

Mr. A. J. Helme, the finance director, said that the company had been the victim of the slump in property values and had continued trading for as long as it could before approaching its bankers and telling them that it did not feel it could any longer meet its commitments. Before yesterday's announcement Lane Fox shares stood at about 20p.

He declined to put a value on the company's assets, which are about 19 properties and sites in England, Ireland and Dusseldorf, but it is understood that the company will not be able to meet all its liabilities.

Charter Trust

NET EARNINGS of **Charter Trust and Agency** increased from £298,582 to £332,032 for the six months to May 31, 1975, equal to 0.901p, compared with 0.811p per 25p share. For the full year to November 30, 1974, net earnings were £606,684 or 1.648p.

The net interim dividend is being held at 0.55p, absorbing £202,708. For the full year to November 30, 1974, dividends totalled 1.5p.

Gross revenue advanced from £0.69m. to £0.71m. For the full year 1973-74 it was £1.38m.

Valuation of investment at May 31 including net current assets, is shown at £24.68m., against £21.66m. This includes 100 per cent. of the investment dollar premium where applicable of £4.38m., against £1.87m.

Net assets attributable to Ordinary holders totalled £20m., against £13.78m., equal to 54p (43p) per share, or 53p (44.5p) adjusted for conversion of loan stock.

£0.84m. more seen for Stock Conversion

PRESENT indications are that revenue before tax of **Stock Conversion and Investment Trust** for the current year to March 31, 1976, will be around £3.25m., compared with £2.41m. the previous year, according to the directors in their annual report.

This is a higher figure than would have been forecast had the company not effected savings by the disposal of its interest in Piccadilly Circus and the change in plans for certain other proposed developments, they add.

It must not, however, be assumed that the directors' policy is to abandon, merely for short-term advantages, new developments that appear attractive in the long term. In fact, the directors say, development is proceeding of certain other properties, for example, High Street, Bromley, and Finsbury Pavement, where, despite adverse legislation, "a reasonable return can be anticipated."

Moreover, although adopting a cautious policy generally towards new acquisitions, the directors are still prepared to consider purchase for development or refurbishing where the anticipated return is satisfactory in relation to financing costs after taking into account any tax on unrealised value.

Such new developments and purchases will continue to have an important bearing on the advance in income after the current year, even if not in the same ratio as in the past. Against that, however, is the fact that the group "has now reached a stage where increments in income from rent reviews on properties completed some years ago, will be of increasing importance in overall growth."

Referring to six developed properties held as investments, the directors say they now feel that to retain them in the balance-sheet at cost would be misleading and it has been decided therefore to value them on a conservative basis. This has resulted in a total write-up in value compared with cost of some £18m. (Stock Conversion proportion £11m.).

As reported on July 8, the 1974-75 pre-tax revenue declined from £2.22m. the previous year. Dividends are up from 1.4075p to 1.497p net.

Property investments at March 31, 1975, amounted to £69.52m. (£50.28m.).

There was a surplus on revaluation of properties of £11.01m.

Meeting, Quaglino's, S.W., on August 4 at noon.

UNIT TRUSTS

Carliol High Yield offer

A new trust is on offer this week-end from Carliol Unit Fund Managers, the **Carliol High Yield Fund**. This yields 10.2 per cent. gross and the minimum initial holding is 2,000 units at a cost of £520. The fund is invested predominantly in selected U.K. equities and in Preference shares. Charges are on a 3¼ per cent. initial/½ per cent. per annum basis. Carliol already manages the Carliol Unit Fund and is a member of the Newcastle-upon-Tyne based Carliol/Tyneside investment trust group.

● comment

The Carliol High Yield Fund is a logical addition to Carliol's existing capital growth fund and offers an attractive yield. The management is also established and can claim to combine relatively small-sized funds with continuity and stability. It also handles private portfolios at a relatively low cost.

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BARCLAYS UNICORN WORLDWIDE

This week's offer from the Barclays Unicorn group is the **Barclays Unicorn Worldwide Trust** with a minimum initial investment requirement of £250. Nearly half the trust's investments are in the U.S.A. and Japanese, Canadian, West German, Swiss and Australian shares are also included in the portfolio. The trust's share price has fallen far less than the F.T. All Share Index since the launch in March, 1973.

● comment

The Barclays Unicorn Worldwide offer is another example of the current trend for unit trust managers to turn to their overseas-orientated trusts when promotion is being undertaken. One can see the reasons for this in view of the uncertainties still facing the U.K. stockmarket.

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JASCOT COMMODITY

Jascot Securities is advertising the **Jascot Commodity Fund** which offers a current estimated gross yield of 7.7 per cent. per annum. The minimum investment is £200 and since the fund was launched in March 1971 its income units have appreciated by over 58 per cent. compared with a 2 per cent. rise in the general level of equities.

● comment

The Jascot Commodity Fund probably qualifies as the brightest star of the Jascot group of unit trusts, which has now passed under the control of the merchant bank, Arbuthnot Latham. However, there is continuity of management and Arbuthnot Latham itself has long-standing connections in the commodity trade. Commodity shares tend to have their dramatic periods followed by lengthy spells in the doldrums.

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WESTMINSTER SHARE EXCHANGE

The City of Westminster Assurance is advertising its share exchange scheme this week-end, offering investors the opportunity to exchange their share portfolio for units in the managed fund. The company is giving preferential terms for the exchange, valuing the shares at offer price plus 1 per cent. The company also pays all dealing expenses and stamp duty involved in the transactions.

● comment

Investors who are finding that the management of a share portfolio under present conditions just too much too cope with are being offered the change of professional management without incurring the usual management costs. The City of Westminster scheme enables investors to do this simply by exchanging on very favourable terms the shares for units in the managed fund. The investor must have confidence in the management and in this respect the company has a good track record.

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LAWSON HIGH YIELD

The **Lawson High Yield Fund** offers investors seeking income an estimated gross yield of 13.6 per cent. The underlying portfolio is a three-way mix of Preference shares, split-level investment trust income shares and high yielding equities with well covered dividends. The minimum investment is £100 and accumulation units are available. Income is payable quarterly.

● comment

Still in the ultra-high yielding bracket, the **Lawson High Yield Fund** also caters for investors who are concerned with capital growth prospects. The managers have put 40 per cent. of the fund into Preference shares to provide stability of income and are at present increasing this portion of the portfolio to maintain this high yield. But the buoyancy in the long-term gilt market could lead to rises in preference share prices.

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Leo Capital launch

A new unit trust called **Leo Capital Fund** has been launched by a new unit trust management company, Leonine Administration. It will concentrate on British shares with the emphasis on those with overseas business. The estimated gross yield at the initial offer price is 6 per cent. and the minimum investment is £250.

The directors of Leonine include Hamish Bennie, formerly with the Investment Assured group and Kenneth Court and David Clarke of the Martin Clarke group, who are portfolio managers and incorporated insurance brokers.

See Page 3

AMERICAN 'PIMS'

Schlesinger Trust Managers is advertising the American "PIMS" service, recommending that investors should put 25 per cent. of their investment portfolio in the U.S. The underlying investment vehicle is the Trident American Growth Fund, which is over 90 per cent invested. This fund has the benefit of back-to-loan facilities and the managers are very optimistic of the performance of Wall Street relative to Europe. The "PIMS" service is designed for the larger investor with amounts ranging from £4,000 upwards and includes bi-monthly reports, portfolio valuations and regular meetings with the investment managers.

● comment

It has always been good policy to spread one's investments and operating overseas can secure advantages to the investor of investing in economies that are more favourable than that of the U.K. The managers of the **Schlesingers American "PIMS"** consider that this is the case as far as the U.S. market is concerned in that it offers better prospects to investors, a view supported by the comparative movements of the Dow Jones and the FT 30-Share index recently. However, they are not advising the wealthier investor to put all his faith in the U.S.—just 25 per cent.

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HENDERSON FAR EAST TRUST

The Henderson Far East Trust is on offer from Henderson Unit Trust Management this weekend with a minimum investment requirement of 1,000 units (currently 42.8p each). The fund is growth orientated—the estimated gross yield is only 2.01 per cent.—and the portfolio is split between Japan (72.5 per cent.); Hong Kong (4.1 per cent.); Singapore (4.8 per cent.); and cash (18.6 per cent.). There is also a back-to-back currency facility.

● comment

The countries of the Pacific Basin (especially Japan) have become increasingly attractive as investment areas in recent years, despite the 1974 market upsets in Hong Kong and Singapore. Henderson manages a number of investment trusts besides unit trusts and has achieved a fair amount of investment success with the **Henderson Far East Trust** over the past year.

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TARGET INTNL.

Target International has the **Target International Fund** on offer this week-end with an initial investment requirement of £200. The geographical spread of the fund's investments is concentrated mostly in North America and Europe but there is also a substantial proportion in Australia. The fund has back-to-back loans in order to avoid the investment dollar premium and has a yield of 3.11 per cent. on an estimated gross basis. The charges are on a 5 per cent. initial/⅜ per cent. per annum basis and a share exchange scheme is available.

● comment

The appeal of international funds is increasing at the moment now that the U.K. market is past the first flush of recovery. Moreover, due to the still high level of the dollar premium, individuals also have an incentive to invest overseas through the medium of a fund with back-to-back loans. Target International fits this bill and is wholly invested overseas rather than having a residual proportion of U.K. shares with overseas earnings. The fund increased in value by just over 47 per cent. in the first six months of this year.

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LAWSON AMER.

Lawson Securities is advertising the **Lawson American Fund** this week-end with a minimum investment of £100. Aim of the fund is capital growth and the management is taking the view that America and Canada are in the early stages of an economic upturn, thus offering the best investment opportunities. The fund possesses ample back-to-back dollar loan facilities to minimise exposure to the fluctuations of the dollar premium.

● comment

Although the **Lawson American Fund** is the newest member of the Lawson stable, its growth since April when it was acquired—having previously been Ansbacher North American—has been impressive (from £200,000 to £1.2m.). The managers are still very bullish about the North American market and the fund is still small enough to adopt a flexible approach to investment. The portfolio has 18 U.S. and two Canadian stocks at present, together with a slice of U.K. investment trusts with a high U.S. dollar content in their portfolios.

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BSG INTERNL.

Holders of £9,825 nominal of **BSG International's** 10½ per cent. Convertible Unsecured Loan Stock 1993-98 have exercised their right to convert into Ordinary shares: accordingly 18,177 shares have been issued.

SUMMARY OF THE WEEK'S COMPANY NEWS

Take-over bids and mergers

A fairly lively week for bids and mergers saw two prolonged bid battles reach their climax. The Swedish **SKF** engineering group has won its fight for control of **Sheffield Twist Drill and Steel** by enticing rival bidders **Thorn Electrical** to accept an offer of 95p per share for the latter's 15 per cent. stake in STD and S. SKF has consequently raised its general cash offer by 4p to 95p, valuing the whole STD and S equity at £12.8m; Thorn has duly dropped its 92p cash bid. Influencing the two contenders' decision was the continued STD and S trade unions' support for an SKF take-over. Thorn also stated that the new SKF terms exceeded the top price that it was willing to pay for STD and S. The SKF offer is now unconditional as regards acceptance, SKF's *own holding* plus acceptances so far received now amounting to over 50 per cent. of the STD and S equity.

Myson made a surprise move on Tuesday by dropping its vigorously rejected shares and cash offer for **Sealed Motor Construction** and announcing the purchase of a rival manufacturer of central heating pumps, the U.S. Sundstrand Corporation's *water pump division in the U.K. The latter has* only about 2 per cent. of the U.K. market compared with SMC's 65 to 70 per cent., but is expected to rapidly expand its share under the wing of Myson. The way has now been left clear for the *recommended* **Adwest** offer of 40p nominal of Convertible Loan plus 4p cash for each SMC.

Lonrho has followed up its January purchase of a 29.5 *per cent. stake in* **London Australian and General Exploration** from Jessel Securities at 25p a share with a recommended one-for-three share-exchange offer for the outstanding Lags shares, valuing the whole equity at £14.9m. Lonrho is also offering a *cash alternative of 25p a share in compliance with the Take-over* Code, but this falls well below the current share-exchange value of about 41p.

In the household textiles field, **Spirella** *is making a £4.9m.* take-over bid for **Vantona**, which has the latter's Board evenly divided in their views on acceptance or rejection. One Spirella share plus either £1 in cash or £1 nominal of a New 14 per cent. Convertible Loan is offered for every three Vantona shares.

Midhurst White is bidding 6p in cash for each **Dowgate and General Investments** Ordinary share and 17.5p for each Preference. However, if acceptances fail to reach the 75 per cent. mark in respect of the Ordinary or total votes of the Ordinary and Preference, a lower offer of 4½p per share will be made dependent on only 50 per cent. acceptance.

Charles Clifford is making an agreed bid of 21p nominal of a new 12½ per cent. Convertible Loan for each Ordinary share of **Evered**, the non-ferrous metals manufacturer. The bid is conditional on the agreed disposal by Evered of its Industrial Products Division to Francis Industries.

Company bid for	Value of bid per share k	Market price k	Price before bid	Value of bid (£m's) k	Bidder	Final Acc't'ce date
Prices in pence unless otherwise indicated						
Central Prov. Manganese Ore	12½*	10	6	0.5*	Ests. & Agency	—
Clifton Invs.	4¼*d	5¼	4¼	0.15*d	Aries Hldgs.	—
Cons. Commercl.	20	19	34	0.8	Rubislaw Invest. Tst.	—
Consolidated Tin Smelters	185	170	176	7.2	Amal. Metal	—
Court Hotels	50*	32‡	32	1.3*	BSQ Secs.	—
Doncaster (D.)	101*	91	45	10.9*	Intnl. Nickel	25/7
Dowgate & Genl.	6*	5¼	4	0.9*	Midhst. White	—
Evered	21	18	16	1.2	Chas. Clifford	—
Great Boulder	88d	80	70	50.8d	Western Mng.	—
Greening (N.)	25	25½	16½	5.7	Johnsn. & Firth Brown	17/7
Gunn (A.)	60	60	58	3.2	Hewden-Stuart	—
Hanover Grand	5*d	7½	8	0.1*d	Mr. J. Grant	—
"Lags"	41d	38	31	10.5d	Lonrho	—
Leadenhall-string. Invests.	55*d	53	31	0.6*d	Brit. & Cmnwlth. Shipping	—
Long John Intl.	231	236	157	18.5	Whitbread	22/7
Mason & Burns	15*d	18	12	0.07*d	Allied Insulators	—
Scotia Invs.	17*d	14½	20	0.6*d	Alco Metrop. Properties	—
Seaham Harbour	£26*	£5‡	£5‡	0.6*	Tinline Ests.	—
Sealed Motor Construction	44	39½	43	2.4	Adwest Grp.	11/7
Sheffield Twist	95*	94*	78	12.8*	SKF	—
Vantona	47g	50g	44	4.9g	Spirella	—
Wright-Scriven	13*d	13	13	0.5*d	Ferguson Indl.	—
Yatton Furniture	6½bd	6½	6	0.9bd	Stag Furniture	—

* All cash offer. b Cash alternative. c Partial bid. d For capital not already held. e Combined market capitalisation. f Date on which scheme is expected to become operative. g Based on 11-7-75. k Based on 10-7-75. n Notional value. ‡ At suspension. † Bid.

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Bolands	Mar. 1	240	(85)	0.8‡	(0.8)
J. Coral	June 30	3,590	(2,492)	—	(—)
Dubilier	Mar. 31	289	(54)	0.4	(0.35)
Imperial Group	Apr. 30	52,500	(45,100)	1.75	(1.75)
D. Macpherson	Apr. 27	432	(743)	0.78	(0.804)
Samuel Props.	Dec. 31	476L	(1,108)	Nil	(0.838)
Samuel Sherman	Apr. 3	46L	(47)	Nil	(Nil)
Spirella Group	May 31	1,099	(891)	1.235	(1.158)
Watson & Philip	Apr. 25	327	(261)	0.63	(0.59)

(Figures in parentheses are for corresponding period.)
Dividends shown net except where otherwise stated.
* Adjusted for any intervening scrip issue. † Net. ‡ Gross. § For 11 months. ¶ For 44 weeks. a For 52 weeks. b For 53 weeks. L Loss.

Scrip Issues

Allied Colloids: One-for-five.
John Waddington: One Ordinary for ten "A" shares.
Wearwell: One-for-four.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Airfix Industries	Mar. 31	2,603	(2,059)	10.6	(8.7)	2.787	(2.624)
Alliance Alders	Apr. 30	2,152	(1,754)	3.8	(3.2)	1.155	(1.087)
Allied Colloids	Mar. 31	1,861	(1,601)	10.5	(7.9)	1.495	(1.407)
Assoc. Leisure	Mar. 16	1,394§	(1,836)a	2.9	(3.7)	1.97	(2.12)
Ascd. Newspapers	Mar. 31	6,215	(8,344)	11.8	(16.5)	4.304	(4.051)
Bambergers	Mar. 31	1,510	(2,460)	7.4	(11.7)	2.385	(2.236)
Braby Leslie	Mar. 31	1,057	(852)	15.6	(12.3)	2.528	(2.619)
Braithwaite Engrs.	Mar. 31	453	(327)	13.4	(11.0)	6.37	(6.01)
Bristol Post	Mar. 31	1,153	(1,593)	15.6	(19.8)	4.72	(4.43)
Brooks Watson	Dec. 31	1,225L	(1,864)§	—	(5.4)	0.8	(4.6)
Butterfield-Harvey	Mar. 31	1,504	(355)	4.8	(1.0)	1.759	(1.654)
Carlton Industries	Mar. 31	4,413	(6,517)	8.5	(14.0)	4.125	(3.935)
Celestion Inds.	Mar. 31	380	(587)	1.1	(2.0)	0.355	(0.332)
Clyde Paper	Mar. 31	121	(3)	1.9	(—)	Nil	(Nil)
Concrete	Mar. 31	1,055	(202)	5.4	(1.4)	2.89	(2.68)
Denbyware	Mar. 29	1,205	(883)	14.7	(12.7)	4.987	(4.684)
Diamond Stylus	Mar. 31	102	(192)	2.9	(5.0)	0.745	(0.719)
G. H. Downing	Mar. 31	1,001	(1,252)	15.9	(20.3)	8.546	(8.199)
Ellerman Lines	Dec. 31	9,148	(5,949)	87.0	(63.0)	4.503	(4.22)
ERF (Holdings)	Mar. 29	705	(931)	6.5	(10.0)	2.562	(3.58)
Greene King	May 3	2,003b	(1,538)a	13.7	(11.7)	4.276	(4.023)
Henderson-Kenton	Mar. 31	871	(695)	6.6	(5.6)	1.87	(1.7)
Intnl. Timber	Mar. 29	1,646	(8,951)	7.5	(32.1)	5.17	(4.815)
Jacksons Brne. Ed.	Mar. 29	182	(170)	7.0	(7.8)	2.89	(2.683)
Jackson & Steeple	Dec. 31	75†	(358)	4.6	(21.5)	2.15	(2.15)
Kimpher	Mar. 31	100	(362)	2.1	(8.5)	3.0	(4.492)
James Latham	Mar. 31	1,038	(1,868)	20.8	(39.8)	5.91	(6.49)
L.C.P. Holdings	Mar. 31	2,411	(2,623)	7.1	(8.0)	2.893	(2.722)
Leigh Mills	Apr. 30	102	(234)	3.6	(5.6)	0.939	(0.879)
Manson Finance	Apr. 30	502	(455)	4.1	(3.8)	3.25	(3.0)
Marling Inds.	Mar. 31	730	(760)	4.5	(4.9)	0.86	(0.799)
Mitchell Somers	Mar. 29	1,132	(467)	5.0	(2.0)	0.948	(0.894)
Morgan Edwards	Mar. 29	263	(235)	8.3	(7.3)	2.396	(2.247)
MPI	Dec. 31	177L	(172)	—	(0.7)	Nil	(Nil)
Parkland Textile	Feb. 28	145	(1,011)	0.6	(7.6)	1.733	(3.117)
Penrad Group	Dec. 31	389L	(4)	—	(0.5)	Nil	(0.875)
Ropner Holdings	Mar. 31	1,517	(1,206)	4.0	(3.6)	1.6	(1.31)
Southerns-Evans	Mar. 31	4,654	(7,084)	16.2	(23.5)	2.669	(2.485)
Sterling Credit	Mar. 31	176	(54)	2.8	(0.6)	1.594	(1.5)
Stock Conversion	Mar. 31	2,407	(3,218)	4.0	(4.3)	1.497	(1.408)
R. W. Toothill	Mar. 31	160	(244)	10.2	(16.8)	3.789	(3.57)
United Gas	Mar. 31	822	(288)	2.1	(0.1)	0.25	(0.7)
John Waddington	Mar. 30	2,424	(1,942)	21.1	(18.1)	5.457	(5.135)
Wearwell	May 2	1,007	(827)	5.2	(4.5)	4.25	(3.75)

Offers for sale, placings and introductions

Lamont Holdings: Placing 2m. Ordinary 10p shares at 25p each.
Lankro Chemicals Group: *Placing 1.25m. shares at 75p each.*

Rights Issues

Hanson Trust: One-for-one at par.
Headlam, Sims and Coggins: One-for-three at 10p each.
Law Land: *One-for-four at 48p each.*
Wheatsheaf Distribution and Trading: One-for-four at 110p each.

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid Up	Latest Renunc. Date	1975 High	1975 Low	Stock	Closing Price p	+ or −	Div. & or Amount	Times covered	Gross Yield	P/E Ratio
‡	F.P.	—	172	158	Akroyd & Smithers	158	....	u50	1.7	12.0	7.7
45	F.P.	11/7	56	48	Clive Discount (20p)	55	—1	15	—	9.5	—
‡	F.P.	—	£21¼	£17½	Cont.Can. Inc. $1.51	£17½	—¼	$1.6	—	4.5	—
55	F.P.	—	56	55	Lawrence (Walter)	55	....	f18	2.7	12.6	—

FIXED INTEREST STOCKS

Issue Price	Amount Paid up	Latest Renunc. Date	1975 High	1975 Low	Stock	Closing Price	+ or −
‡£100	F.P.	11/6	140	114	Allied Irish 10% Conv. Uns 1985	116	—1
$100	F.P.	—	101	£99½	Barclays Bank Int. 9¼% Capital Notes 1982	101	.....
£100	£10	—	10⅝	10¼	Barnet Corp 13¼% 1980	10¼	.....
£100	£10	—	11¼	10½	Do. Do. 14% '84/5	11¼	+½
£100	F.P.	—	100	100	CSR 9¾% Notes 1980	100	.....
‡‡£99	£10	—	10	10	Camb. Water 9% Red. Pref. 1980	10	.....
£97½	£10	—	10	9⅝	City of Westminster 13% Red. St. 1981	9⅞	.....
£99	F.P.	11/7	102	101	Colne Valley Water 9% Red. Prf. 1980	101	—½
‡£99	£10	29/8	11¼	10¾	East Surrey Water 9% Red. Pref. 1980	10¾	.....
£100	F.P.	—	106½	102½	EnnisFinance(U.K.)9%CnvGtdUnsLn.85-90	106½	.....
£99	F.P.	31/7	112	100½	Folkestone Dist Water 9% Red Prf. 1980	100½	.....
‡£100	F.P.	6/6	132	115	Gestetner 10% Com. Uns. '90/95	123	.....
£100	£50	—	55	55	Hoechst 10% Guar. Ln. 1990	55	.....
£99	F.P.	30/5	102¼	97	Lawson Corp 1st 1990	99xd	+1
‡£100	Nil	—	7½	2½	Mitchell Cotts 13% Conv. Uns '90	7½pm	.....
$100	F.P.	—	$105	$100½	Norsk Hydro 9¼% Bds. 1985	$103	.....
£100	F.P.	21/5	125	108	N. Atlantic Secs. 7½% Cnv. 95-96	115	.....
£99	F.P.	31/7	102¼	100½	N. Surrey Water 9% Red Prf. 1980	100½	.....
‡£100	Nil	16/7	5	¼	Prop. Hldgs. & Inv. 9% Conv. '90/5	½pm	.....
£99	£10	29/8	10¼	10¼	Sunderland 2½ Water 9% Red. Pref. 1980	10½pm	+¼
[illegible]	F.P.	—	85	77½	Turner Curzon 16% Conv. Uns. '78-80	85	.....
£1	F.P.	24/6	110p	95p	Waterford Glass 10% Conv. Cum. Red. Pref.	101½	.....

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date		Stock	Closing Price p	+ or −
110	Nil	—	..	Anderson Strathclyde	5pm	.....
45	F.P.	20/6	8.8	Associated Engineering	52	+½
25	F.P.	7/7	21.8	Barrow Hepburn	37	1
85p	F.P.	2/7	1/8	Bell (A.)	103	+3
45	F.P.	7/7	10/9	Bee Intl.	44½	+½
£100	Nil	—	—	Borel (Jacques)	168pm	.....
115	Nil	21/7	1/8	Bowater	21pm	+2
50p	Nil	—	—	Brit. Steam Specialities	5pm	2
40	F.P.	8/7	8.8	Carless Capel	62	.....
30	Nil	21/7	29/8	Century Oils	5pm	.....
A$1.50	F.P.	2/7	7/8	Commercial Bank of Australia	220	.....
72	Nil	—	—	Dunbee-Combex-Marx	28pm	—2½
40	F.P.	25/6	25/7	Duport	42½	.....
35	F.P.	18/6	11/7	Elliott Grp. (of Peterboro)	34	.....
66	F.P.	4/7	21/8	Ever Ready	78	+1
58	F.P.	11/7	1/8	GEI Int.	58	+1
200	F.P.	4/7	7/8	Glaxo	345	+2
17	F.P.	4/7	17/7	Gordon Johnson-Stevens	18½	.....
52	F.P.	16/6	11/7	Hawkins & Tipson	67	.....
35	Nil	21/7	—	Hazlewoods (Proprietary)	1pm	.....
10p	Nil	—	—	Headlam Sims & Coggins	4½pm	+½
25p	F.P.	24/6	18/7	Healtr	52	—1
20	Nil	22/7	5/8	Kwahu	5pm	.....
28	Nil	21/7	20/8	Lebuff (Fobel)	5pm	+1
105	Nil	—	—	Legal & General	18pm	+2
50	Nil	18/7	—	London United Invs.	11pm	+1
40	F.P.	16/6	11/7	Macarthys Pharm	48	+1
25p	Nil	25/7	20/8	MacFarlane Group	42pm	2
100	F.P.	11/6	11/7	Marshalls Universal	105	.....
210	Nil	—	—	Metal Box	20pm	.....
10p	F.P.	2/7	8/8	NSS Newsagents	45	+1
60	F.P.	9/7	8/8	Nurdin Peacock	78	+5
105p	Nil	21/7	29/8	Pegler Hattersley	6½pm	—1½
180	F.P.	11/7	1/8	Phoenix Assurance	200	—8
A$1.50	Nil	—	—	Poseidon	70pm	.....
6p	F.P.	11/7	8/8	Premier Cons. Oilfields	8½	+½
105	F.P.	19/6	17/7	Prudential Ass.	125	.....
57	Nil	24/7	19/8	Redland	10pm	—½
47	F.P.	4/6	16/7	Richard & Wallington	60	.....
20	F.P.	4/7	8/8	Root Harvesters	25	.....
10	Nil	—	—	Senior Engineering	5pm	.....
27½p	F.P.	10/7	21/8	Serck	30½	.....
80p	Nil	—	—	Siebe Gorman	28pm	.....
500p	F.P.	—	—	Siebens Oil & Gas UK	660	+55
95p	Nil	—	—	Smiths Industries	5pm	—4
55	Nil	17/7	7/8	U.K. Optical	15	—1
50p	Nil	21/7	18/8	Unicorn	2pm	.....
75	F.P.	30/6	16/7	United Biscuits	95	—4

Renunciation date usually last day for dealing free of stamp duty. a Placing price to public. b Figures based on prospectus estimate. d Dividend rate paid or payable on part capital, cover based on dividend on full capital. p*** Pence unless otherwise indicated. u Forecast dividend; cover based on previous year's earnings. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividends. ** Issued by tender. ‡ Offered to holders of Ordinary shares as a "rights." ♥ 290 S.Afr. cents. ‡ Rights by way of capitalisation. †† Tender allotment price. ◆ Reintroduced. ¶ Issued in connection with reorganisation, merger or take-over. ♣ Introduction. ♠ Issued to former Preference holders. ‡ Allotment letters (or fully-paid). † Provisional or partly-paid allotment letters. § With warrants.

BIDS AND DEALS

Schroders to advise Newman

BY NICHOLAS LESLIE

The independent view being sought by several institutions on the proposed purchase by Newman Industries of certain assets—including four quoted investments—of Thomas Poole and Gladstone China is to be given by merchant bankers, J. Henry Schroder Wagg and Co.

The announcement yesterday follows the move by six institutions, led by Prudential Assurance, at meetings last Monday to persuade Newman's Board to seek an outside view and the subsequent adjournment on Tuesday for three weeks of the extraordinary meeting called to ratify the proposals.

Yesterday's statement said that, at the request of the Prudential and certain other *institutional* shareholders in Newman, Schroders had been appointed by the Newman Board to advise shareholders on the proposals relating to TPG and Strongpoint.

It added that Schroders are being asked to consider the transactions, the criticisms which had been made and any other matters relating thereto which they consider to be relevant and of substance.

Although events leading up to the appointment of Schroders, including the fact that Prudential drew up a short-list of merchant banks which it felt should advise, *could* provide fuel to question the independence of Schroders' position, a spokesman for Schroders made clear how his company saw its position.

"Our duty is simply to advise shareholders in Newman Industries what they should do," he commented.

With less than three weeks to go before the adjourned meeting—held on July 29, Schroders will be working to a tight schedule, although there is always the possibility that the meeting could be further adjourned if the time-scale proves to be too tight.

NO PROBES

Mrs. Shirley Williams, Secretary of State for Prices and Consumer Protection has decided not to refer the following mergers to the Monopolies and Mergers Commission:

House of Fraser and Hide and Co.; the acquisition by Montague L. Meyer of a 50 per cent. shareholding in Keizer Venesta; Whitbread and Co. and Long John International.

HAW PAR

An announcement on *Thursday* evening by the Singapore Government that two inspectors have been appointed to investigate the affairs of Haw Par Brothers International led to the Kuala Lumpur Stock Exchange suspending dealings in Haw Par shares yesterday.

Because of the latest moves in Singapore and Kuala Lumpur, the Haw Par Board also sought a suspension of share dealings in both Hong Kong and London.

However, it appeared that in London, where shares are dealt under rule 163 (1)(e), dealings were continuing. The share price closed unchanged at 63p.

The Haw Par Board is to have a meeting with the Singapore Government inspectors where it is likely the inspectors will explain their terms of reference.

HUME HOLDINGS

In a recent report on **Rothschild Investment Trust** acquiring, for £2.2m., a 23 per cent. stake in **Hume Holdings**, an investment trust, it was stated that Hume's record was of steadily increasing net available profit after payment of Preference dividend, although in 1973-74 available earnings had fallen from £714,851 to £549,125.

A more realistic comparison is that at pre-tax level the progress was maintained with revenue up from £1.19m. to £1.57m. The net figure was affected by a change in the basis of tax and a first time payment of £181,321 on £5m. of Preference shares issued in March, 1973.

CHARTERHOUSE

Nedbank and Syfrets-UAL Holdings *has acquired from* **Charterhouse Group** its minority stake in Syfrets Development Finance.

Syfrets, which operates in the venture capital field in South Africa, was formed by Charterhouse and Syfrets prior to the merger between Syfrets and UAL.

RAINE ENGRNG.

Raine Engineering Industries has acquired 12 per cent. of the capital of the **Sheffield Brick Company.**

ASSOCIATES DEALS

Speirs and Jeffrey on Tuesday bought 3,000 A. Gunn at 60p on behalf of Hewden-Stuart.

Joseph Sebag bought 35,000 *Sealed Motor* at 43p for **Adwest Group.**

PENNINE MOTOR

Mr. Peter Grimshawe, who was appointed to the Board of the *Pennine Motor Group two months ago,* has resigned for "personal, business and health reasons."

His appointment as financial director and the appointment of Mr. S. Watling as chairman followed the acquisition through one of their private companies of 12 per cent. of Pennine from Lownsborough family interests.

At the time the directors said that in the past 12 months agreements relating to disposals of subsidiaries and assets have been concluded or are about to be concluded which would improve future profitability and liquidity. Pennine's half-year loss to June 30, 1974, was £98,007.

WATSHAM'S BAY

Watshams's, the Reading-based structural steelwork company, is buying 75 per cent. of the equity of **Industrial Pharmaceutical**, a supplier of pharmaceutical products and services for industry, for £160,000.

Watshams's intends to increase its capital base by an allotment of shares to leading institutional investors. It believes that the acquisition will allow further development in a new growth area *for essential goods and services.*

Industrial Pharmaceutical's last annual accounts for the year ending May 31, 1974, showed assets at net book value of £100,968 and pre-tax profits of £46,128.

SHARE STAKE

Argyle Securities—Anglo Continental Investment and Finance has bought 157,500 Ordinary shares bringing its total holding to 10.64m. (46.83 per cent.).

Construction Holdings—Throgmorton Trust has further increased its holding to 12.5 per cent. of the nominal value of the shares.

Malaysia Rubber—Kinta Kellas Rubber has bought 84,200 Ordinary making its total holding 325,000 shares (18.05 per cent.). **Doranakande Rubber** has disposed of 193,000 shares in Malaysia reducing its holding to nil.

Marshall's Universal—Tyndall Group has bought a further 332,970 Ordinary bringing its holding to 525,000 shares (23.46 per cent.).

Estates Duties Investment Trust—ICFC Group has purchased 9,416 Ordinary, increasing its interest to 4,977,364 shares (41.135 per cent.).

Electronic Rentals has acquired another 250,000 Ordinary in **Stanwood Radio** making a total holding of 1.1m. shares.

Sociedad Internacional de Bienes Raices SA acquired a further 10,000 Ordinary of **Reardon Smith Line** between June 23 and June 30. Its total holding is now 784,500 shares (19.2028 per cent.).

BTR has advised **Silentbloc** *Holdings that as a result of the* purchase of 30,000 Ordinary on June 11, its total interest in Silentbloc has been increased to 2,493,000 shares (25.9 per cent.).

Following the disposal of shares in **Gloucester and Cheltenham Greyhounds, Slater Walker Securities** no longer have a disclosable interest in that company (interest is now less than 10 per cent.).

Norwich Provident Company no longer holds over 10 per cent. of the Ordinary in **Cullens Stores.**

As at July, Slater Walker and its subsidiaries, investment trusts, unit trusts and fully dicretionary invetment clients under their management now hold 491,844 (14.24 per cent.) of WGI.

Advance Laundries now holds less than 10 per cent. of **Capital and County Laundries.**

London and Manchester Assurance now holds 623,500 (15.59 per cent.) of the Preference capital of **Manchester Ship Canal Company.**

Raine Engineering Industries has purchased 118,558 shares in **Sheffield Brick Group.**

SMITH INDS.

Proposals for reorganising the debenture capital of SMITHS INDUSTRIES have become unconditional and have taken effect.

Burroughs first half profit setback

First half (to May 31, 1975) turnover of **Burroughs Machines** expanded nearly £7m. to £31.28m., but profits fell from £1.36m. to £550,000.

In March the directors said it was difficult to forecast for 1975. But the company began with a strong backlog position and they looked for continued growth in orders and for improvement in earnings.

After tax £286,000 (£709,000), the *half year's* net profit came out at £264,000 (£654,000).

The company's capital is held by Burroughs Corporation of the U.S.

WALL STREET + OVERSEAS MARKETS + CLOSING PRICES

Mixed after late profit-taking

BY OUR WALL STREET CORRESPONDENT

NEW YORK, July 11.

A MIXED trend prevailed on Wall Street to-day. The market took in its stride a boost in the bank prime interest rate, but abandoned a moderately higher position following scattered profit-taking in the last hour.

After opening 3.05 off at 868.82 and rallying to 877.11, up a net 5.24, the Dow Jones Industrial Average finished 0.78 off at 871.09, for a net loss of 0.70 on the week. The NYSE All Common Index, at $50.71, shed 3 cents on the day but was still up 26 cents on the week. Gains led losses by 777-to-658, while the trading volume dropped by 6.67m. shares to 22.21m.

For much of the session investors apparently found somewhat encouraging the fact that no other bank followed New York's First National City in raising the Prime interest rate to 7¼ per cent. from 7 per cent.

The Federal Reserve reported late Thursday that Business Bank Loan demand declined in the latest reporting week and also the money supply declined, indicating that tighter FED policy was working.

G. D. Searle, the most active issue, fell $2¼ to $17⅝ on a turnover of 734,100 shares, following adverse U.S. Food and Drug Administration comment.

APCO Oil gained $2¼ to $19⅝ in active trading on Northwest Oil Energy offer competing with Alaska Interstate for control of APCO.

American Broadcasting lost $1¼ to $22⅝—it said second quarter earnings would be "down about 24 per cent. from a year earlier."

Chrysler were active and up $¼ at $14.

Pillsbury fell $1⅝ to $68⅛ on the redemption of its 4¾ per cent. convertible Debentures, due February 15, 1989.

The American SE Market Value Index moved up 0.30 to 95.27, making a rise of 2.67 on the week. Ryan Homes, the most active issue, advanced $1¼ to $22⅛ on a volume of 135,500 shares.

OTHER MARKETS

Canada again higher

Canadian Stock Markets continued to gain ground in moderate trading yesterday.

The Industrial Share Index put on 0.65 to 193.58. Golds 1.37 to 408.71. Base Metals 0.26 to 79.76, Western Oils 1.07 to 201.85, Banks 2.38 to 278.16 and Papers 1.02 to 114.69. But Utilities shed 0.04 to 132.03.

PARIS—Generally steady in light trading.

Foods and Oils were lower, however, while Portfolios, Hotels, Breweries and Stores were narrowly mixed. Banks, Metals, Constructions and Electricals were steady to slightly firmer, while Chemicals were mixed.

BRUSSELS—Quietly mixed in hesitant pre-weekend trading.

Among Foreign issues, Germans and Americans well maintained, Dutch and French little changed, British issues mixed. Golds little changed.

AMSTERDAM—Mixed in quiet pre-week-end conditions.

Banks and Investment Funds generally firmer, Insurances, Shippings, Plantations and Local Dutch issues mixed.

SWITZERLAND — Generally steady in very quiet dealings.

Industrials narrowly mixed.

State Bonds quietly maintained.

Dollar stocks barely steady. Dutch issues little changed. Germans irregularly higher.

GERMANY—Firmer, aided by a fall in Bond offerings and also the firm dollar.

Engineerings led markets, KHD rose DM12.80, MAN put on DM3.5—it announced short time for later this year.

MILAN—Mixed in rather hesitant trading, reflecting domestic economic and political outlook.

COPENHAGEN — Easier in moderate dealings.

OSLO—Banks and Industrials quiet, Insurances and Shippings steady.

VIENNA—Little changed.

HONG KONG—Quietly firmer in moderate trading.

TOKYO—Generally higher with attention centred on selected Commodity - Market orientated shares. Volume 130m. (180m.) shares.

Textiles, Non-Ferrous Metals, Steels, Chemicals and Fertilisers attracted widespread demand.

AUSTRALIA—Firmer in quiet conditions, with buying centred on energy stocks.

Pancontinental rose 30 cents to $A5.00, Utah 18 cents to $A5.24 and Woodside-Burmah 7 cents to 83 cents.

JOHANNESBURG—Gold shares steady at lower levels in a small turnover. Financial Minings quiet.

Indices

NEW YORK

DOW JONES AVERAGES

	Home Bonds	Transport	Indus.	Util.	Trading volume† 000's
July 11	68.79	172.63	871.09	84.48	22,210
10	68.95	172.45	871.87	84.20	28,850
9	68.85	172.03	871.87	83.81	26,350
8	68.80	169.86	857.79	83.24	18,990
7	68.69	169.21	861.08	83.50	15,250
3	68.89	169.73	871.79	84.46	19,000
2	68.96	170.07	870.38	84.74	18,550
1	69.38	171.71	877.42	85.44	20,390
June 30	69.32	171.13	878.99	85.99	13,430
27	69.42	171.34	873.12	86.02	12,820
26	69.51	169.90	874.14	85.54	24,560
25	69.57	162.59	872.73	86.60	21,610
24	69.62	162.10	869.06	87.07	26,620
23	69.55	167.81	864.25	86.50	30,720
20	69.26	165.75	855.44	86.24	36,260
19	69.06	166.38	845.35	86.37	31,450
18	68.79	164.58	827.83	85.40	19,590
1975 High	69.92 (4/4)	174.19 (5/6)	878.99 (30/6)	87.07 (24/6)	—
Low	66.16 (3/1)	146.47 (2/1)	632.04 (2/1)	72.02 (2/1)	—
All-time High	—	279.88 (7/2/69)	1051.70 (11/1/73)	166.32 (20/4/65)	—
Low	—	13.23 (8/7/32)	41.22 (2/7/32)	10.58 (28/4/42)	—

† Excluding bonds.

IND. DIVIDEND YIELD p.c.

July 3	June 27	July 5, 1974
4.44	4.43	4.66

N.Y. SE ALL COMMON INDEX

December 31, 1965=50.

1975 High	1975 Low	July 11	July 10	July 9	July 8	July 7
50.85 (30/6)	37.06 (2/1)	50.71	50.74	50.75	49.89	50.05

RISES AND FALLS

Issues traded	Up	Down	Unchanged
1,843	777	658	408

	July 11	July 10	July 9	July 8	July 7
New Highs	143	256	208	77	85
Lows	6	3	2	2	5

AMERICAN SE MARKET VALUE INDEX

Starting base 100 Aug. 31, 1973.

1975 High	1975 Low	July 11	July 10	July 9	July 8	July 7
95.27 (11/7)	62.20 (2/1)	95.27	94.97	94.11	92.87	92.17
Volume (000's)		3,499	4,050	4,160	2,210	2,290

STANDARD AND POORS U.S. STOCK INDICES

	*Industrials	†Composite
July 11	106.38	94.66
10	106.31	94.51
9	106.54	94.80
8	104.92	93.39
7	105.06	93.54
3	106.09	94.36
1975 High	106.86 (30/6)	95.19 (30/6)
1975 Low	77.71 (8/1)	70.74 (8/1)

* 425 Industrials. † 425 Industrials, 50 Utilities 25 Rails.

STOCK AND BOND YIELDS

	July 9 1975	June 28 1975	July 11 1974
Ind. Ord. yield pc	3.50	3.60	4.17
Ind. Ord. p/e ratio	11.62	11.50	9.82
Long-term Govt. Bds. per cent.	8.77	8.74	8.78

FRIDAY'S ACTIVE STOCKS

	Stocks traded	Closing price	Change on day
Searle G. D.	734,100	17⅝	−2¼
Chrysler	363,900	14	+¼
Skyline	335,500	20⅞	−⅛
Apco Oil	334,900	19⅝	+2¼
Texaco	261,300	27⅝	+⅛
Occidental Petrlm.	219,100	21⅞	—
American Motors	194,700	7⅛	+⅛
Amer. Tel. and Tel.	176,100	50⅞	+⅛
Dr. Pepper	175,200	11⅞	−⅛
Times Mirror	173,300	19	+⅛

TORONTO

INDUSTRIAL INDEX

July 11	July 10	1975 High	1975 Low
193.56	192.91	193.58 (11/7)	159.41 (3/1)

MONTREAL

INDUSTRIAL INDEX

July 11	July 10	1975 High	1975 Low
203.16	203.24	203.24 (10/7)	159.95 (2/1)

COMBINED INDEX

July 11	July 10	1975 High	1975 Low
196.36	196.49	196.56 (11/7)	156.65 (2/1)

JOHANNESBURG

	July 11	July 10	1975 High	1975 Low
Industrials	234.4	232.3	234.4 (11/7)	183.3 (23/1)
Golds	318.8	313.3	379.1 (2/1)	293.3 (13/4)

1958=100. Source: Rand Daily Mail. * 1974.

MELBOURNE YIELDS

Av'ge yield on 50 Leading Stocks	July 10	July 3	June 26
On Dividends	7.20	7.17	7.56
On Earnings	13.80	13.74	14.12

SYDNEY ALL ORD. INDEX

July 11	July 10	High 1975	Low 1975
376.60	373.76	385.66 (4/6)	228.88 (9/1)

TOKYO NEW SE INDEX

Base=100 January 4, 1968.

July 11	July 10	High 1975	Low 1975
326.57	326.35	333.11 (2/7)	268.24 (10/1)

HONG KONG INDEX *

July 11	July 10	High 1975	Low 1975
324.90	320.31	341.57 (19/6)	150.46 (9/1)

SINGAPORE INDEX §

July 11	July 10	High 1975	Low 1975
250.61	251.13	266.69 (11/3)	156.26 (8/1)

EUROPE

	July 11	Previous	1975 High	1975 Low
Belg'm (a)	108.02	107.67	111.91 (10/6)	90.01 (2/1)
Denm'k (b)	91.19	91.31	92.80 (13/6)	73.05 (15/1)
France (d)	64.9	64.9	72.0 (25/4)	51.70 (2/1)
Germ'y (e)	690.3	684.0	720.1 (16/6)	575.3 (2/1)
Holland (f)	99.7	99.4	107.6 (6/6)	85.2 (2/1)
Italy (g)	80.52	80.89	105.86 (21/3)	85.25 (10/1)
Spain (h)	98.97	98.68	110.96 (22/4)	90.20 (4/7)
Sweden (k)	372.37	370.06	380.18 (27/6)	310.05 (9/1)
Switz'l'd (m)	284.1	285.5	290.1 (6/6)	240.2 (2/1)

Indices and base dates (all base values 100):—(a) Belgian S.E. 31/12/63. (b) Copenhagen S.E. 1/1/73. (d) Paris Bourse 1961. (e) Commerzbank December, 1953. (f) Amsterdam Industrial 1970. (g) Milan 1972. (h) Madrid S.E. 31/12/74. (k) Stockholm Industrial 1/1/58. (m) Swiss Bank Corp. 31/12/58. (u) Unavailable. ● Hang Seng Bank 31/7/64. § Straits Times 1966. (c) Closed. † Adjusted.

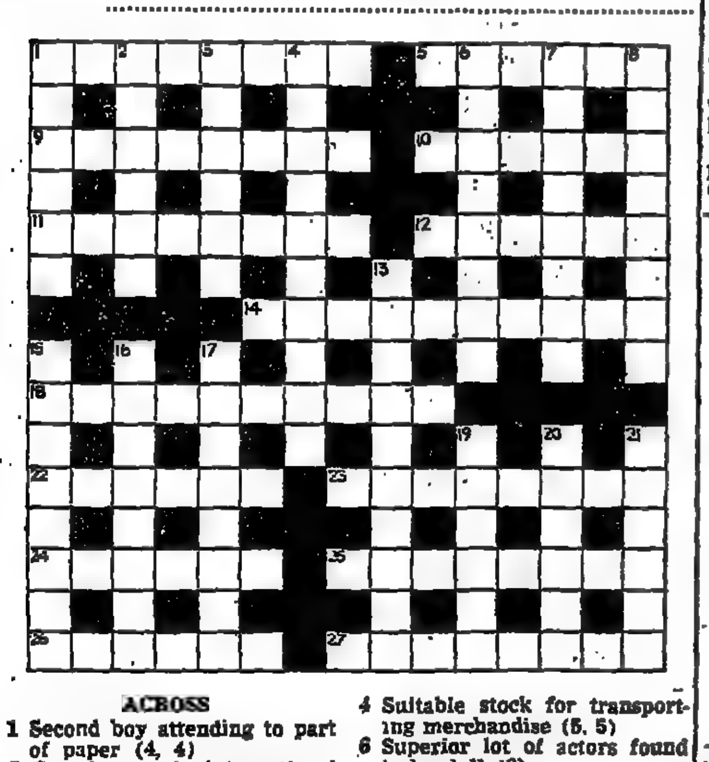
F.T. CROSSWORD PUZZLE No. 2,827

A prize of £3 will be given to each of the senders of the first three correct solutions opened. Solutions must be received by next Thursday, marked Crossword in the top left-hand corner of the envelope, and addressed to the Financial Times, 10, Cannon Street, London, EC4P 4BY. Winners and solution will be given next Saturday.

Name ....

Address ....

....



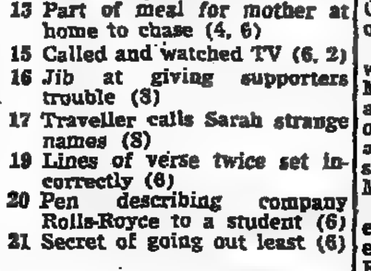
ACROSS

1 Second boy attending to part of paper (4, 4)
5 Crowd round international player that could go to woman's head (3-3)
9 Sweet man at school crossing (8)
10 John in Ireland goes to church meeting in spirit (6)
11 Cut out hesitation in practice (8).
12 Kind of current tax admission (6)
14 Covers expenses by chance before seven (6, 4)
18 Hospital does not admit he's an invalid (3, 7)
22 Important chaps in prison service (3, 3)
23 Daughter losing by a hole cheated (4, 4)
24 Gracious member has fallen in Scots river (4, 2)
25 Speaker wins one round at musical composition (8)
26 Cover for female members found only perhaps between poles (6)
27 Abandoned with puncture on near side (4, 4)

DOWN

1 Put up they say as advertised (6)
2 Visitor is fresh north of the border (6)
3 Charge about Pole with ruler (6)
4 Suitable stock for transporting merchandise (5, 5)
6 Superior lot of actors found to be dull (8)
7 Study minister in jam (8)
8 Legal arguments industrialist finds delightful (8)
13 Part of meal for mother at home to chase (4, 6)
15 Called and watched TV (6, 2)
16 Jib at giving supporters trouble (8)
17 Traveller calls Sarah strange names (8)
19 Lines of verse twice set incorrectly (6)
20 Pen describing company Rolls-Royce to a student (6)
21 Secret of going out least (6)

SOLUTION TO PUZZLE No. 2,826



SOLUTION AND WINNERS OF PUZZLE No. 2,821

Following are the winners of last Saturday's prize puzzle:

Miss C. Barratt, 12a Mendip Close, Cheltenham, Glos.

Rev. W. F. Conlon, Athlumney, Navan, Eire.

Mr. W. Laurie, 703 Beverley High Road, Hull, North Humberside.

RACING BY DOMINIC WIGAN

Magnetic attraction

WITH only eight stone in the saddle, Mr. Reg Hollingsworth's rapidly-improving Ragusa colt, *Zimbalon*, appears to be something of a "racing certainty" for to-day's John Smith's Magnet Cup (2.30) at York.

The West Ilsley three-year old, who never ran as a juvenile, has improved with every outing (as did his sire) and after completing a hat-trick in the Bass Clubmen's Stakes at Haydock in impressive style, he again won with the minimum of fuss when justifying heavy support on his last appearance in the King George V Stakes at Royal Ascot on June 19.

At Ascot, Zimbalon, ridden with complete confidence by Joe Mercer, forged into the lead a furlong from home, and had only to be kept going with hands and heels to defeat comfortably some smart rivals headed by Marco Ricci, in a fast time.

With Mercer unable to do the eight stone on Zimbalon, the experienced and nerveless Frankie Durr comes in for the mount, and there is no one riding at the weight who I would rather see on Mr. Hollingsworth's colt. I expect to see the combination followed home by the course and distance winner, Calaba, and Chil the Kite from Bruce Hobbs' stable which took the corresponding event a year ago with Take a Reef.

There have been few better initial efforts by a two-year-old this season than that put up by *Spanish Air* in Royal Ascot's Norfolk Stakes, and the Warren Place juvenile appeals as a good bet for the Friargate Stakes (3.30).

Spanish Air, a well-made brother to that top class two-year-old of 1971, Philip of Spain, showed plenty of speed throughout in that highly competitive Ascot race won by Faliraki, and it was only in the final half-furlong that he tired, to finish sixth behind more experienced opponents.

That outing will have brought Spanish Air on considerably, and I shall be disappointed if he fails to open his account.

At Chester, where the presence of Pat Eddery on two or three probable favourites seems sure to swell the crowd, the two best bets of the afternoon may well be *Hard Day* and *Sabala*. The first named, the mount of Dr. Carlo Vittadini's daughter, Franca, found no difficulty in dealing with Sackville and 20 others at Windsor on his reappearance last month, and he put up another useful performance there when running Silage to three lengths in the Knightsbridge Stakes shortly afterwards.

I shall be surprised if, in the Ellis Barker Furs and Fashion Stakes (2.30), Hard Day does not outclass his rivals, who may be headed by Franc Flinders.

Sabala, an attractive half sister by Tribal Chief to that tough sprinter Kernel Rose, will need to improve little on her third placed effort behind El Capitan over six furlongs at Salisbury towards the end of last month to deal with the weak opposition she faces in the furlong longer Pulford Stakes (4.30).

YORK
1.30—Peterhof
2.00—May Beck
2.30—Zimbalon**
3.00—Prince of Egypt
3.30—Spanish Air***
4.00—Joking
4.30—West Two

LINGFIELD
1.45—Mount Street
2.15—Boulevardier
2.45—Court Chad
4.15—Calhive

CHESTER
2.30—Hard Day
3.00—Kambalda
3.30—Great Echo
4.30—Sabala*

SALISBURY
2.45—Maynooth
3.15—King's Honour
4.45—Royal Fanfare

OVERSEAS SHARE INFORMATION

Investment premium based on $2.60 per £1—90⅛% (88⅞%)

NEW YORK

[illegible]

CANADA

[illegible]

GERMANY ◆

[illegible]

MILAN

[illegible]

AUSTRALIA

[illegible]

TOKYO ¶

[illegible]

BRUSSELS

[illegible]

SWITZERLAND ●

[illegible]

PARIS

[illegible]

AMSTERDAM

[illegible]

STOCKHOLM

[illegible]

JOHANNESBURG

[illegible]

SPAIN ♥

July 11	Per cent.	
Asland	290	—
Banca Lopez Quesada	739	−1
Banco Bilbao	765	—
Banco Atlantico (1,000)	679	—
Banco Central	915	+5
Banesto (250)	610	—
Banco Exterior	597	+2
Banco General	1,031	—
Banco Granada (1,000)	425	+1
Banco Hispano	590	—
Banco Iberico	630	−2
Induban	480	+7
Banco Ind. Cat. (1,000)	395	—
Banco Mercantil (1,000)	485	—
Banco Noroeste	270	+2
Banco Occidental	430	—
Banco Popula	600	—
Banco Santander (250)	726	—
Banco Urquijo (1,000)	382	—
Banco Vizcaya	412	—
Banco Zaragozano	325	—
Bankunion	360	—
Altos Hornos	302	+1
Babcock Wilcox	122	—
Cepsa	338	+1
CIC	429	—
Crecinco	176.27	+0.41
Dragados	490	+3
Inmobanif	360	—
Energias Ara	170	+2
Espanola Zinc	219	—
Expl. Rio Tinto	341	+2
Fecsa (1,000)	142	+3.50
Fenosa (1,000)	125	+1
Finanzauto S.A.	448	−2
Finanzauto Servicios	453	−5
Gal. Preciados	420	—
Grupo Velazquez (400)	700	+40
Hidrola	161	+3
Iberduero	232	+1
Motor Iberica	226	−3
Olarra	720	−10
Petroliber	320	—
Sarrio Papalera	326	—
Seat (1,000)	185	+1
Sevillana Elec.	142.75	+2.75
Sniace	126	+2
Telefonica	235	—
Tubacex	323	−7
Union Elec.	142	+2
Union y Fenix	395	—
Urbis	232	+1

NOTES: Overseas prices exclude $ premium. Belgian dividends are shown after withholding tax.

◆ DM50 denom. unless otherwise stated. ♣ Kr.100 denom. unless otherwise stated. ♥ Ptas.500 denom. unless otherwise stated. ● Frs.500 denom. unless otherwise stated. ¶ Yen 50 denom. unless otherwise stated. $ Price at time of suspension. a Florins. b Schillings. c Cents. d Dividend after pending rights and/or scrip issue. e Per share. f Francs. g Gross div. %. h Assumed dividend after scrip and/or rights issue. k After local taxes. m £ tax free. n Francs including Unilac div. p Nom. q Share split. s Div. and yield exclude special payment. t Indicated div. u Unofficial trading. v Minority holders only. y Merger pending. * Asked. † Bid. § Traded. ‡ Seller. z Assumed. xr Ex rights. xd Ex dividend. xc Ex scrip issue. xa Ex all. Δ Interim since increased.

OSLO ♣

[illegible]

COPENHAGEN

[illegible]

VIENNA

[illegible]

Radical plan for future of the Financial Times

ALTHOUGH the Financial Times is generally regarded as the most successful and prosperous of Fleet Street's newspapers its problems in current circumstances are no less severe, and in some ways more critical, than those of other newspapers.

And this is a long-term crisis not purely attributable to the present recession, Mr. Alan Hare, chief executive of the Financial Times, declared yesterday when outlining proposals for the future development of the newspaper.

But the problems could be overcome in a way which would bring the newspaper back to being successful and prosperous. "We believe that our plan is the most radical and imaginative one for change so far produced in the U.K. newspaper industry."

Many other avenues of less radical change had been considered but these did not offer a viable and lasting solution to the problems.

Considerable time had also been spent in discussions with other newspapers in attempts to devise a common plan which could be presented to the unions for consideration on a joint basis. However, it emerged from these discussions that the requirement for change which other newspapers have differ at this stage so much one from another that it was not possible to reach a joint position on a sufficient scale. "We agreed with other newspapers that the problems were pressing but decided to proceed on our own," said Mr. Hare.

Less painful

Nevertheless, the Financial Times was prepared to enter into any national agreement where necessary, "provided in so doing we do not distort or delay what we intend to do."

It might justifiably be said that the newspaper's crisis situation was not as immediate as those of some others. But the earlier the problem was tackled, the less painful its solution would be and the more resources would be at the newspaper's disposal to deal with it.

"It might be more dramatic to say that unless the steps we are advocating are agreed within the next six months we shall have to consider closing the newspaper. I feel it is a more responsible course to put these matters to you before such a dramatic point in our fortunes is reached," Mr. Hare told union officials.

Technology had reached a stage in development which made its application to the Financial Times' business a practical proposition. It was a more appropriate solution to the Financial Times' problem than those of any other newspaper because costs in the composing and origination areas were higher proportionately than elsewhere.

"It is timely that the technology is available as without it we would be powerless to avert the failing fortunes which jeopardise all our livelihoods," stated Mr. Hare.

The Government had been informed of what the Financial Times intended to do but it was seeking no Government help at this stage except that already available through existing legislation. "This is not to say, however, that if any national scheme for aiding newspapers in carrying out development plans of this amplitude can be agreed, which we feel is compatible with maintaining our complete freedom from interference by Government of any complexion, we shall not consider joining it."

Turning to the economic position of the newspaper, Mr. Michael Gorman, the Finance director, pointed out that, to be healthy—"by which we mean the ability to satisfy the needs of employees just as much as those of shareholders" — a company needed to expand its sales, both by volume and by value, and maintain its level of profits, if possible in real terms; that is despite the ravages of inflation.

In 1974 circulation sales for the Financial Times increased by 15.8 per cent. in value, "thanks more to price than volume increases," while the advertisement revenue increased by 0.6 per cent. in value.

"These increases were inadequate to prevent the newspaper's profit before taxation falling by 50 per cent. to £1,052,000 despite wages settlements markedly below, in percentage terms, those in other industries."

This disquieting picture would look much worse if inflation was brought into the calculation.

It should also be remembered that between 75 and 80 per cent. of the Financial Times' revenue comes from advertising, said Mr. Gorman. "No other national newspaper is so dependent on advertising, and it is advertising in all media which is showing in the short and long term a greater decline than circulation."

In the four years to the end of 1974 sales revenue increased from £1.6m. to £3m., reflecting in percentage terms a growth of 82 per cent, made up of 15 per cent. from circulation and the balance from the cover price. The Financial Times share of the "quality newspaper" market grew slightly from 7.5 to 8.6 per cent. in that period.

Since the end of 1974 there has been a further 25 per cent. cover price increase which has been accompanied by a fall in circulation of about 7 per cent. during the last 12 months. "Clearly at some point a further fall might jeopardise our standing with advertisers," declared Mr. Gorman.

During the same period advertisement revenue had increased by 80 per cent. from £6.3m. to £11.2m but customer resistance was beginning to be met during 1974, a phenomenon illustrated by the fact that 1973 revenue was £11.1m. and that for 1974 was £11.2m. This increase was less than 1 per cent. despite two rate increases of 14.4 and 14.1 per cent. in January and November respectively.

This resistance has continued into 1975 with advertising volumes currently 8.5 per cent. down on last year. A further rate increase of 15 per cent. introduced on July 1 might well accelerate the trend.

Mr. Gorman stressed, however, that, although this is a gloomy picture, it was in line with the experience of other quality newspapers.

Nevertheless, the Financial Times newspaper's trading profits had almost halved in percentage of turnover terms, from 14 per cent. in 1970 to 7.6 per cent. in 1974.

While revenue increased by 80 per cent. between 1970 and 1974, costs increased by 93.8 per cent. Had costs kept pace with revenue the 1974 profit would have been nearly double that reported.

If costs were grouped into three categories—variable; wages and salaries; and other fixed costs—it could be shown that variable costs went up by 100 per cent. over the period, wages and salaries showed an 88 per cent. rise and the increase for fixed costs was 96 per cent.

Variable costs

Variable costs cover newsprint, ink and carriage. Some of the increase was attributable to increased circulation but the majority was due to price inflation. The UK's falling exchange rates had a direct bearing on costs of newsprint, most of which was imported, either directly or indirectly. In 1975 newsprint prices were increased a further 10 per cent. at the beginning of the year, but exchange rates were currently costing a further 10 per cent., although this varied from day to day. While no further price increases from newsprint suppliers were expected at the moment, the weakness of sterling had an immediate impact on the cost of the newspaper's basic materials.

Very few of the fixed costs could be influenced by management decisions without seriously jeopardising the standard of the newspaper. In 1975 many of them had increased quite dramatically, for example telephone charges had risen 41 per cent., postage by 55 per cent. and rates by 55-60 per cent.

The critical situation which had to be faced could be summed up this way:

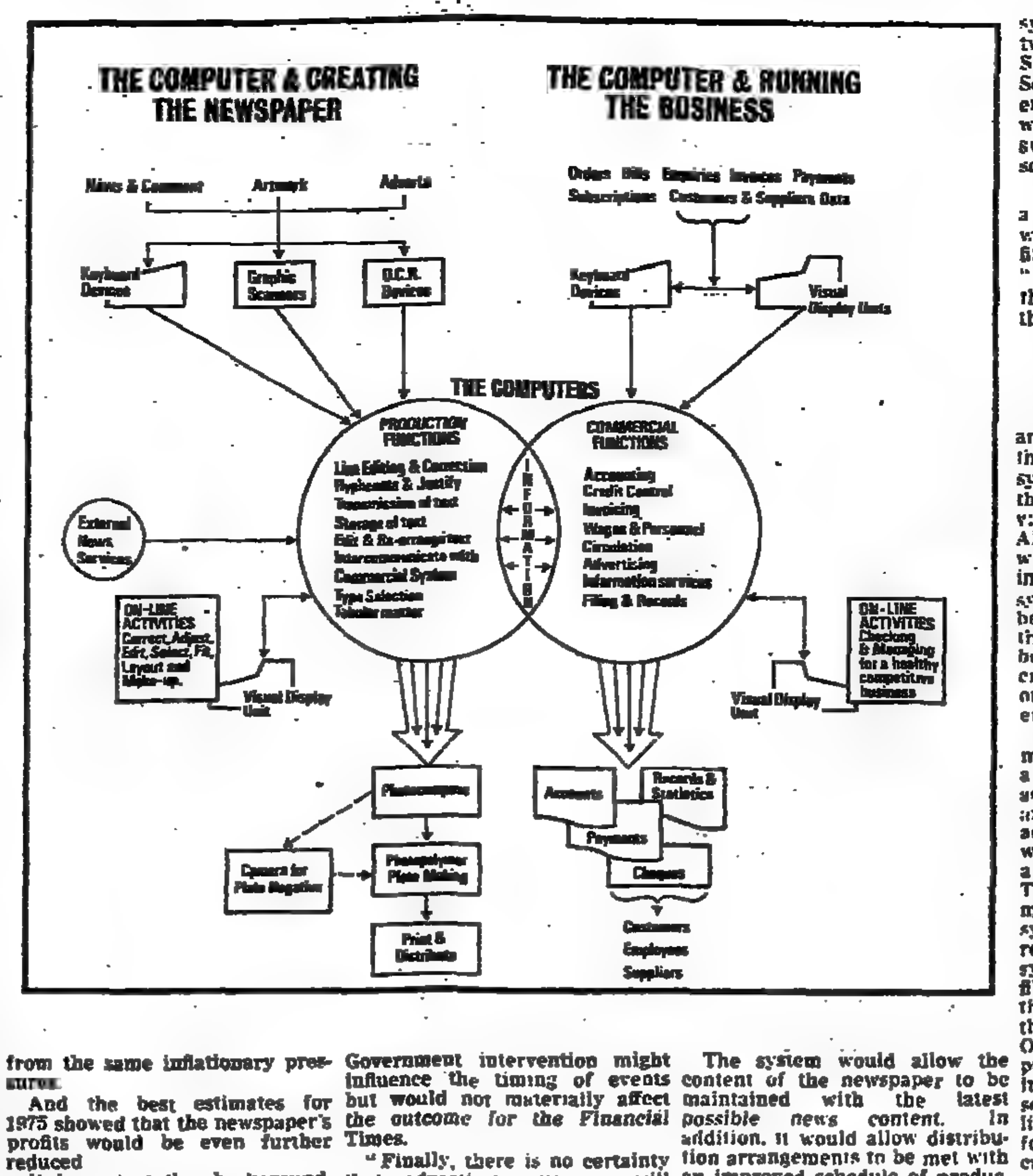
1—Advertisement revenue volume is down but revenue static.

2—Circulation revenue is increasing through higher cover prices but at the expense of circulation.

3—Paper costs affected not only by rising prices but also by falling exchange rates.

4—Overheads increasing sharply.

5—Personnel, naturally looking for improvement in wages and salaries to protect themselves from the same inflationary pressures.



And the best estimates for 1975 showed that the newspaper's profits would be even further reduced.

It is against this background, said Mr. Gorman, that the company had been studying the prospects for the period 1976 through to 1978.

It was being forecast that total revenues would rise by 43 per cent. over the three years 1975-1978 against an actual rise of only 33 per cent. from 1972 to 1975.

Costs were expected to rise by 60 per cent. over 1975-78 against 55 per cent. in 1972-75. "In the light of events during the last six months, these estimates may well be too optimistic. Nevertheless, they show that by 1978 the newspaper will have gradually deteriorated into a loss position of the order of £1.5m. a year as opposed to profits of roughly the same magnitude if the proposed changes were implemented."

The latest Government-union steps to curtail inflation could hold back cost increases but the upturn in the trade cycle would then be delayed until 1977 instead of 1976. In general the Government intervention might influence the timing of events but would not materially affect the outcome for the Financial Times.

"Finally, there is no certainty that advertising revenue will expand at all in 1976. The feeling in the trade generally seems to be that advertising budgets will be held in 1976 at 1975 levels. In these circumstances, it would only require a 5 per cent. rise in costs to bring the newspaper to a loss situation. Similarly, a 5 per cent. fall in revenue would have the same effect," Mr Gorman pointed out. "With prospects such as these it is essential that the company takes steps to protect itself before it is too late."

Sophisticated

Dealing with the proposed technical developments, Mr. Alan Cox, the production director, said they would include the most sophisticated technological equipment in both computer hardware and software available in the world to-day. They would be used in both the typesetting and the commercial activities of the company.

The system would allow the content of the newspaper to be maintained with the latest possible news content. In addition, it would allow distribution arrangements to be met with an improved schedule of production without later information being restricted.

Another service, which will be a by-product of the development, will be the other business activities which stem from the newspaper which will be served by the central processing source of the system.

The proposed Financial Times system is a totally integrated computer system embracing both the typesetting and commercial requirements of the company. The system is based on a multi-computer configuration which means that a number of computers, interlinked with each other, are used to control the typesetting-commercial processes rather than depending on separate computers to deal with each function.

The new typesetting system will consist of central computers with an associated disc storage device plus a further "front end" computer for controlling editing-correction terminals.

The existing photocomposing system which has for the past two years been producing the Stock Exchange Information Service and has more recently embraced the Unit Trust Service, will be integrated into the new system in both equipment and software terms.

By using an acoustic coupler, a portable keyboard device into which a telephone handset will fit, a reporter in the field could "type" his story into print in the same way as if he was in the office.

Commercial

The commercial system will use an identical central computer to that used in the production system and will have access to the production system data base via an inter-communication link. Although the commercial system will perform its general activities independently of the typesetting system there will be interaction between the two via this link. In this way, information of use to both systems such as costing, credit checking, invoicing and so on will be readily available to either.

An example of how this link might function in practice is that a customer may telephone an advertisement to the newspaper and the tele-ad personnel, before accepting the advertisement, would ask, via the terminal, for a credit rating of the customer. The credit rating files would be maintained by the commercial system but on a request being received from the production system for information from this file, it would immediately extract this information and pass it via the link to the tele-ad terminal. Once the advertisement had been put into the system, details of its length, insertion dates and so on would be passed, via the link, to the commercial system for eventual use in billing the customer.

The accounts and sales departments would be on line to the commercial system by means of visual display terminals and would be able to update and amend customer files. One or two line printers would also be on line to the system for the production of statistical reports, sales reviews, accountancy reports and so on.

It is proposed that at a future stage of the development, the system will be used to produce circulation list, subscription list, counter stacker control tapes and news bundle labels and all accountancy data related to newspaper sales and newsprint stock controls.

Mr Cox stressed that the nature of the technology would mean that its impact "is almost total in that it will produce changes in virtually every area of the business. These changes are necessary to solve the problems, rather than just postpone our being overwhelmed by them."

Mr. Justin Dukes, general manager, said: "It is a central part of our policy that we must tackle human problems by facing up to them and solving them through consultation."

The idea was for the framework of the proposals to be outlined and for this to be used as the basis for continuing discussion with unions and employees.

The problems were immediate, however, and it was the intention to introduce immediately a programme of voluntary early retirement for production areas, coupled with an overall non-replacement policy. The early retirement proposals would affect employees over 60 years of age. It was estimated that this could affect 93 employees in the company.

"It will be our policy to take up the work load of these employees through increasing operating efficiency," said Mr. Dukes.

The transition process would be cushioned by a compensation scheme as good as conventional schemes in the industry. Again, there would be discussions on this scheme with unions and employees.

On completion of the introduction of the new system "many jobs will bear little resemblance to their present form. The manning levels which it is estimated will be required for the efficient operation of the business by the new methods involve a reduction from the numbers currently employed.

"As the result of our total programme of re-appraisal and technological innovation, we estimate that over a period the total numbers which we can employ will be around two-thirds of our staffing immediately before the introduction of the new technology," added Mr. Dukes.

Many employees would require retraining and practical assistance to re-equip themselves for new roles.

A major part of the consultation process would be discussions about how manning levels might be reduced and what kind of compensation should be paid those affected. "We feel that compensation should be directed to the areas of greatest hardship while recognising that temporary loss of employment is never without hardship."

Part of the policy would be to re-equip people for new and useful roles in the community, something traditional compensation schemes fail to do.

The technological changes would also make the existing wages structure out of date. A piecework payment system could have no role in the new structure.

The new structure would include a mutually acceptable "flat rate" remuneration linked to reasonable performance targets.

"We do not propose to reduce the total remuneration now received by those who remain with us."

COMMODITIES/Review of the week

Cocoa renews spectacular rise

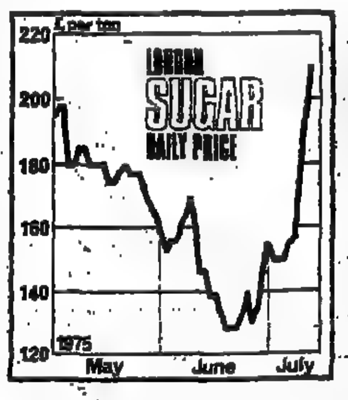
BY OUR COMMODITIES STAFF

THE COCOA market "went mad" yesterday, with prices soaring up dramatically in hectic trading conditions. The September position on the futures market at one stage traded at £619 a tonne before profit-taking clipped the closing price to £591 a tonne, £43.5 up on the previous day and £87.5 higher than a week ago.

The spectacular rise in the market started on Thursday, following the announcement that U.S. cocoa grindings in the second quarter had fallen by only 10.8 per cent. against a year ago, compared with market forecasts of a decline of between 15 and 20 per cent.

Further fuel was added to the speculative buying fire yesterday when it was announced that grindings in West Germany during the second quarter actually rose by 7.2 per cent. A fall of 5 to 15 per cent. had been predicted. In these circumstances, a fall in French grindings and the strong possibility of a substantial decline in U.K. grindings were largely ignored in the wave of buying—mainly from speculators—that hit both the London and New York markets.

Dealers were at a loss to explain why market forecasts—normally fairly accurate—were so far adrift on this occasion. It was suggested that the figures might have been adjusted to make up for previous miscalculations.



If the U.S. and West German grindings are the start of a recovery in demand, it may be necessary to revise the forecasts of a substantial surplus developing this season.

A major upsurge was also seen in sugar values this week. The London daily price for raws gained £60, to £210 a tonne, and white sugar advanced by £45 also to £210.

Increased buying interest from U.S. refiners was seen as the main factor in the price increase. During the week Belize, Colombia and Peru offerings all achieved unexpectedly high prices at selling tenders. Yesterday the Dominican Republic joined this list when it sold 50,000 tonnes of raw sugar at 20.01 cents a lb. for shipment in the second half of this month.

There were reports that the USSR would be forced to step up sugar imports following the hot dry weather which is thought to have hit the beet crop as well as grains.

Metal prices were steady, despite forecasts of further heavy copper and zinc stock increases. The markets were held up by the continued weakness of sterling, and news of Soviet Union plans to buy large quantities of U.S. grain, which gave a generally firmer tone to commodity markets.

The coffee market moved more quietly, prices responding mainly to weather news from Brazil, where light frost was reported in the main growing area last weekend. Reports of further labour unrest in the Angolan port of Luanda encouraged a firmer tone in the market yesterday, the September position putting on a further £4.25 to finish the week £8 higher at £486.25 a tonne.

In London, meanwhile, talks continued on the renegotiation of a new International Coffee Agreement.

WEEKLY PRICE CHANGES

	Latest price per ton unless stated	Ch'ge on week	Year ago	1975 High	1975 Low		Latest price per ton unless stated	Ch'ge on week	Year ago	1975 High	1975 Low
[illegible]						[illegible]					

MARKET REPORTS

BASE METALS

[illegible]

SILVER

[illegible]

COCOA

[illegible]

COFFEE

[illegible]

FREIGHTS

[illegible]

RUBBER

[illegible]

SOYABEAN MEAL

[illegible]

SUGAR

[illegible]

WOOL FUTURES

[illegible]

GRAINS

[illegible]

MEAT/VEGETABLES

COVENT GARDEN—(Prices in sterling.)—Imported produce: Oranges—Brazilian: 2.30-2.70; South African: 2.00-2.25; Californian: 3.20-3.40. Grapefruit—South African: 2.70-3.00; Brazilian: 2.90-3.40. Jaffa: 3.30-2.90. Lemons—Italian: 4.00; Spanish: 4.00; South African: 4.30-4.00. Apples—South African: Golden Delicious [illegible]

JUTE

[illegible]

FINANCIAL TIMES

[illegible]

REUTER'S

[illegible]

DOW JONES

[illegible]

MOODY'S

[illegible]

U.S. Markets

Limit gains in cocoa

NEW YORK, July 11.

SILVER closed higher in featureless trading, while copper advanced despite expectations of new record LME stocks. Cocoa finished limit-up on news of greater than expected second-quarter West German grindings. Sugar posted sharp gains on constructive prices paid for Peruvian raws. Chicago grains closed limit-up to sharply higher on still unconfirmed reports of heavy Soviet purchases, Bache reports.

Cocoa—Ghana spot 73 nom. (71½ nom.). Bahia spot 59 nom. (57½ nom.). July 50.50 (55.75), Sept. 52.95 (50.95), Dec. 49.65, March 49.50, May 49.30, July 49.05, Sept. 49.05 nom., Dec. 51.50 nom. Sales: 300.

Coffee—Spot Santos No. 4 unquoted (same). Colombian Mams 71.25-71.50 nom. (same). "C" Contract: July 52.75 (51.75), Sept. 54.75-54.70 (54.05), Nov. 55.80-56.00, Dec. 55.65-56.00, [illegible] 55.60, March 56.25-56.40, May 56.65-56.95, July 57.05-57.40. Sales: [illegible]

Copper—July 58.50 (58.10), Aug. 57.00 (56.30), Sept. 57.30, Dec. 58.20 settlements. Sales: 1,541.

Cotton—Oct. 48.90-48.65 (45.11), Dec. 49.15-49.17 (45.87), March 49.75, May 50.25-50.20, July 50.75-50.90, Oct. 51.10 bid, Dec. 51.00 bid. Sales: 1,207.

†Gold—July 166.70 (164.30), Aug. 167.40 (165.30), Sept. 168.50, Oct. 170.20, Dec. 173.00, Feb. 175.60, April 178.70, June 181.50, Aug. 184.30, Oct. 187.00. Sales: 1,936.

[illegible]

FINANCIAL TIMES REPORT

Saturday July 12 1975

SOFT DRINKS

Sales start to shine again

AT THE MOMENT the soft drinks industry, all £550m. worth of it, is enjoying a rather pleasant calm after the storms of last year. The sun is shining, which always creates a boom in sales; the great packaging shortage has quite disappeared; and even the price of crucial ingredients, such as sugar, has stabilised after the panics of 1974. The major problems that the companies face is good old-fashioned competition.

Last year was a difficult one for soft drink manufacturers, with the hiccoughs in production and the inevitable increases in retail prices affecting growth. As a result the national consumption of squashes (or concentrates as they are known in the trade) dipped marginally below the 1973 gallonage of 89.9m. Carbonates, which include old-fashioned pop, the fast-expanding colas, and the growth-less mixers, managed a marginal rise from 348m. gallons to around 367m. The early months of 1975 showed little improvement, but an encouraging start to the summer has considerably cheered up the industry.

The overall pattern of the soft drinks industry changes little. There is a handful of very large companies—Cadbury-Schweppes, Beechams, Unilever, Reckitt and Colman, and, increasingly, the brewers led by Whitbread; a score of medium-sized operations, typified by the Scottish-based Barrs, which acquired Tizer in 1972; and about 300 small local manufacture s who service their immediate neighbourhood. In the last decade the small independents, hit by the expense of the new automated manufacturing methods and the shortages of packaging and materials, have declined by 500, and more seepage seems certain.

But although soft drinks must be dominated by the giants the local companies show great vitality. It was the Hereford-based Davis Brook which pioneered the plastic tube container (made by ICI) which enables carbonates to be sold in this new form of packaging. Now half a dozen companies use the tubes but the slow production methods have deterred the major manufacturers. In the same way it is Barraclough of Bradford which has pushed ahead with the two-litre jug-like container, with a handle, for squash concentrate. There remains strong local tastes for soft drinks, and since the product is bulky to transport it is unlikely that any new companies can jump from regional to national coverage.

This has been the experience of Barrs which, after acquiring Tizer and developing Strike Cola as a national brand, has curtailed its efforts to market its products in the London region. Tizer, for example, is now produced and distributed under licence in the south by R. Whites, the soft drinks wing of Whitbreads. R. Whites has been one of the success stories in this industry. For years its sales of carbonated drinks had been concentrated in the declining returnable bottle sector of the corner-shop trade. Then it was bought by Whitbreads and heavily advertised and is now doing well.

The tie-up with Tizer opened up 30 per cent. more outlets, and rising cost of tin-plate has meant that canned lemonade, selling for about 10p in the supermarkets, is not such a good buy as the bottled product, containing twice as much, for about 13p. So the prediction that the returnable bottle must necessarily lose out to new packaging materials is not proving true, even though customers rarely bother to claim back their deposit and Whites has seen its usage decline from 7-8 trips a bottle to 4-5 trips.

But there seems little chance in getting the crucial multiple groups to stock returnable bottles (although this happens in Sweden) so it is hard to predict substantial growth in this area. Even so, in three of the past four weeks Whites has seen its sales 75 per cent. above forecast, an indication of what the sun can do for the soft drink makers.

Mixer

Like the other large brewers Whitbreads is also boosting its mixer sales, through Rawlings. The mixer sector is very important, worth around £80m. a year, but growth has ground to a halt since the Budget increase in spirit prices. This is a particular blow for market leader, Schweppes, with over a half of sales, since it comes on top of a freeze on its advertising last autumn as a result of a bottles shortage and the even greater threat of brewer involvement in mixers.

Schweppes has to create a franchise for its product with advertising since Whitbread is naturally keen to get its tenants to stock Rawlings mixers, Bass Charrington pushes the number two brand Canada Dry in its outlets, Watneys, Courage and Schweppes itself are co-operating on Club, and Allied has Britvic. Now Schweppes has started to advertise again, to the tune of £500,000 a year, and has an appreciating additional asset in its Slimline range of mixers which hold almost 90 per cent. of the low-calorie drinks market, now estimated at £14m. a year.

Low calorie drinks is probably the fastest growing sector of the soft drinks industry, with a 50 per cent. gain last year. To speed on the trend Schweppes, which is the main U.K. distributor for Pepsi Cola has just introduced into London and Wales Diet Pepsi. At the same time Coca-Cola has launched a similarly slanted Tab. The merging of the cola flavour with a slimming proposition should be a powerful sales weapon, since colas have been extremely successful in recent years, growing to a £160m. business. Coca-Cola, which is sold here through such companies as Beechams and Watneys, still holds well over a half of the market but Pepsi has made a small gain, to about 23 per cent. of sales, while the "own label" colas have failed to improve on their initial inroads.

This goes for "own label" soft drinks across the board. The packaging shortage last year meant that manufacturers gave priority to their advertised brands, and there is now a greater tendency for the proprietary lines to fight back against retailers' products through heavier advertising. This is particularly true among the concentrates, which had become a classical marketing story of what happens when manufacturers compete on price and let brand image go by the board.

"Own label" squashes forged ahead to hold 43 per cent. of this market (variously estimated at £35m. and £60m., typical illustration of uncertai statistics in an industry whe there are so many differe brands and types of outle Last year there was a slig check to the "own label" sha and now the manufacturers wh dominate the squashe Beechams with top selle Quosh, Schweppes with Su Crush, Sun Fresh and Kia Or and Batchelor with Tree To are re-assessing their marketi Sun Crush, for example, being advertised for the fi time in eight years as a pr mium product, while Sun Fres is positioned as a cheaper bu buy line and Kia Ora as th "adult" squash.

This is regarded as good new by Robinsons, part of Reckit and Colman, which has shou dered the burden of squash ad vertising in recent years and i 1975 has upped its budget con siderably, to £330,000. It ha gained market share, to ove 17 per cent. of sales, and claim leadership by including it Barley Water lines. But i reckons advertising by its com petitors will expand concen trate sales again and so help al concerned.

In fact this could be a yea of growth for the squashes sinc the increase in the price o carbonates, especially those in cans, has encouraged consumer to switch down to cheaper squashes.

The packaging shortage of last year forced the companies to postpone new products and concentrate on the brand-leaders. Schweppes, for example, could only market its very successful innovation, Cresta, a milk based drink, in cans, and sales slipped from the impressive £3.5m. achieved in three years. Now the new products are re-emerging, such as Beechams Twist being tried out in London, although many seem to have failed to hit the shops in time for the summer sales peak.

The soft drinks industry is attempting to cope with the boom inside restraints, like higher material costs, that make it much easier for the large companies to adapt rather than the local operators. But there is still considerable ingenuity among the smaller firms, and in the big battalions the soft drink sector often has to compete with faster growing products for a share of company resources. When it comes down to success is heavily dependent upon such unknowables as the weather, and the sun ... on the tiny, and the ... the worthy and the unworthy alike.

Antony Thorncroft

Consumer trends

THERE ARE two pieces of news in the soft drinks trade at present that are probably more important than the rest. Firstly the good news, the container shortage is well and truly over and when the summer did eventually start it was very hot indeed. But now for the bad news—which inevitably has been borne out of inflation—there is just a suspicion that the housewife, who is the major purchaser of soft drinks, is buying according to absolute price rather than the price per fluid ounce.

This obviously has implications for the growth in sales of large packs of soft drinks as well as the multi packs. If the housewife is still trying to buy the same range of goods for the same money which has less purchasing power, then she is likely to buy the smaller packs which are cheaper. It is not helped by the rise in costs of certain packaging materials, for many soft drinks the 11½ ounce can price has now passed through the magic 10p barrier, which could just swing her attention to a rival product in a rival packaging material, probably glass.

Competitive

But all this is just the apparent tip of an iceberg that may not materialise. The good news for the soft drinks manufacturers is that after two totally abnormal years the market has settled back into its normal competitive state. The 1973 boom completely ran the manufacturers of both the drinks and the packaging right out of stocks. Manufacturers normally stock up for the summer in the first few months of the year but were prevented from doing so in 1974 by the simultaneous (or nearly so) occurence of several setbacks. First there was the three-day week, though the glass packaging manufacturers were not too constrained by that. But there was also a restriction in the supply of soda ash (one of the raw materials needed for making glass) and a strike at BP's Grangemouth plant which restricted supplies of fuel to the large Scottish bottle making plants. The can makers were not in a much happier situation as there was a shortage of tin-plate and the plastics men were obviously affected by the steep increase in the price of the oil from which their products are derived.

This rather desperate situation drove some manufacturers of soft drinks to import containers from other countries to cope with consumer demand. Many must have over ordered to be on the safe side since it seemed impossible to predict when there would be a return to normality. Though the soft drinks manufacturers were on the whole able to stock up as normal in the beginning of this year their activity did not extend forward into increased demand, in particular for bottles. In consequence a couple of glass furnaces have recently been shut down owing to the drop in demand for glass containers.

The situation of the container makers cannot be helped by the general industrial trend to operate with the lowest possible stock levels. Retailers are trying to operate with lower stocks which pushes the stock problem back to the drinks manufacturer but he too is trying to operate on narrower stock margins which pushes the problem back to the container makers, and there the pipeline demand, in particular for bottles, stops.

But the soft drinks manufacturers are also rather more wary of their market place this year than they have been before. Wait and see seems to be their motto. In particular they are waiting to see which way the consumer will react in terms of price and packaging before committing themselves to any action. This caution means that market sectors that would be very lively are only quite lively. One such sector in the children's drink retailed in a small 6 ounce bottle and sold for considerably under 10p. It suffered particularly badly during last year's bottle shortage and drink manufacturers are not sure whether the present resurgence is merely making up for that or whether the consumer sees a price advantage in it. In this instance the consumer is likely to be a *child* and as one manufacturer of soft drinks points out "it is very difficult to establish a purchasing pattern for children."

The main field of contention between cans and bottles at present is in the area one manufacturer defines as "premium pops," shandies, the various colas and other such fizzy products.

There are still some question marks over the future of plastics with the soft drinks trade. Plastic containers have firmly established themselves in the squash market except where the marketing company is determined to preserve an up-market image for its product. Glass is still associated with quality in the consumer's mind which is not all unmitigated joy for the glass manufacturers who still want to persuade people that it is not sinful to throw bottles away. The complications of handling returned empties have always deterred grocers, in particular the multiples, from handling them and they account for over half all soft drink sales in terms of gallonage. And of all the soft drinks in bottles about half are no deposit, non-returnable bottles.

The main advantage of plastics for the soft drinks trade has always been the weight factor and very large size, jerry-can style containers have proved quite popular. Quite how their sales will react to the housewife's present consciousness of absolute price has yet to be determined. The biggest disadvantage of plastics has always been that they are permeable to gases and so could not contain the highly popular carbonated drinks. But ICI's recent invention, the Merolite pouch pack, is suitable for carbonated drinks and it is slowly making headway. Last year only one British soft drinks manufacturer was using it (after Watney Mann had abandoned it for beer packaging) but now there are six. However, these are mostly small local drinks manufacturers as the pack is still rather too slow on the filling lines for the volume producers.

Doina Thomas

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HOME NEWS

Supplementary estimate requirement is £2bn.

BY JOHN HUNT

THE GOVERNMENT is seeking a summer supplementary estimate of £2bn. on its expenditure for the present financial year, a very high figure and equal to the previous record supplementary of last winter.

It represents a 7 per cent. increase on the original estimate of £28.487bn., which was brought forward prior to the April Budget.

Whitehall said last night that although the figure was very big, no special significance could be attached to it as it was the result of the present record level of inflation. More than half the amount — £1.267bn. — was accounted for by pay increases to civil servants, National Health Service staff, doctors, dentists and the Armed Forces.

In the present climate, when the high level of Government spending is under attack as one of the main causes of inflation, the supplementary estimate is bound to be the target of strong Conservative criticism when it comes up for approval in the Commons.

Whitehall sources said that the extra sum being sought would not result in a great increase in the public sector borrowing requirement. In formulating the borrowing requirement, the Chancellor had taken into account many of the increases now quantified in the supplementary estimate.

A large slice of the estimate —£460m.—is accounted for by general Government support to British industry. British Leyland takes up £280m.—more than twice the original estimate put forward for support of the company earlier this year.

The £460m. is also made up by public dividend capital to the British Steel Corporation and token provision for capital for the proposed National Enterprise Board.

A total of £527m. of the estimate represents expenditure for new services which have arisen since the main estimates were prepared at prices in November last year.

Some of the items are: £50m. in guarantees to sugar refiners; £36m. to the coal industry, mainly as a revised sum for regional grant; £14m. to Rolls-Roys (1971); £38m. for housing subsidies; £56m. in pension benefits (mostly for the new invalidity pension).

There is also £231m. for rate support grant and supplementary grant to local authority revenues in England and Wales. The sum which goes to the revenues is to meet pay and price increases since November last year.

Just over £88m. is compensation to the Post Office for the consequences of price restraint. A sum of £20m. goes to the Civil Aviation Authority to meet an increased deficit on current account because of pay and price increases.

The Department of Education gets just over £51m. for increased grants to universities and to meet the higher cost of furniture and equipment.

Cancellation rate falls, but still too many tankers

BY JAMES McDONALD, SHIPPING CORRESPONDENT

THE RECENT high rate at which oil tankers have been cancelled and scrapped has improved slightly, but the medium-term prospects for owners still indicate "a huge surplus to be absorbed before a genuine recovery in the tanker market will occur," it is said by H. P. Drewry (Shipping Consultants) in its July summary of shipping statistics and economics.

The report says deliveries of tankers totalled 21m. deadweight tons in the first six months of this year, including a 9m. tons slippage from last year.

Against this should be set the scrapping during the half-year of almost 4m. d.w.t.—four times higher than normal — and confirmed cancellations of new tanker orders of 24m. tons. A further 13m. d.w.t. were under negotiation or postponed.

In addition 33m. d.w.t. of tankers were laid up, of which 17 per cent. are new tankers delivered so far this year.

Demand for tankers last month is estimated by Drewry to have been 80m. d.w.t. below the available supply, compared with a revised corresponding estimate of 90m. tons for May.

Slow steaming

A further "hidden" lay-up element is pinpointed by Drewry in its estimate that about 19 per cent. of the world's tanker fleet has been "slow steaming." A sample of supertankers of over 200,000 tons showed average speeds of only 11.8 knots and with 11.5 knots in the first and second quarters of this year, compared with 12.5 knots in the fourth quarter of 1974.

"Increased oil liftings and higher lay-up helped push spot rates for Very Large Crude Carriers up from Worldscale 15 to Worldscale 25, last month. High rates of scrappage, cancellations and slippage have slightly improved the medium-long term prospects but there remains a huge surplus to be absorbed," says Drewry.

In the dry cargo sector of the industry, the report says that, although the market is now "bottoming out," there is little sign of real stability in the forward positions and the outlook is described as "decidedly unattractive."

● The Norwegian Government has bought industrial and shipping shares worth about Kr. 177.4m. (about £16.1m.) from Norwegian shipowner Hilmar Reksten, Mr. Per Kleppe, the Finance Minister, told reporters in Oslo yesterday.

Last month, the Storting (Parliament) authorised the Government to spend up to Kr. 200m. on buying shares from Reksten, who was hard-hit by the tanker crisis and needed to generate cash to meet his many financial commitments. The purpose of the Government purchase was to keep the shares in Norwegian hands.

£½M. SCHEME FOR FACTORY

Welwyn Electric is to invest £500,000 in its Bedlington Northumberland factory over the next two years to make better integrated circuits.

Sir Richard Clarke memorial service

A MEMORIAL service for Sir Richard Clarke, who became Permanent Secretary at the Ministry of Technology after a long and distinguished career at the Treasury, was held yesterday at St. Margaret's Church, Westminster.

The service was addressed by Sir Douglas Allen, head of the home Civil Service, and by Lord Kearton, chairman of Courtaulds. The lesson was read by Sir Gordon Newton.

The Speaker was represented by Sir Myer Galpern, MP, and Canon David Edwards officiated.

Among those present were: Lady Clarke (widow), Mr. Charles Clarke, Mr. Timothy Clarke and Mr. Mark Clarke (sons), Mr. and Mrs. Derek Clarke, Miss Anne Renney, Mrs. Charles Renney.

The Earl of Cromer, Lord Zuckerman, Lord Shawcross, Lady Kearton, Mr. Roy Jenkins, MP, Mr. Anthony Wedgwood Benn, MP, the Hon. Penelope Piercy, Sir Anthony Bowlby.

Sir Henry Wilson Smith (deputy chairman, Guest, Keen and Nettlefolds) and Mr. Barrie Heath (group chairman, Guest, Keen and Nettlefolds), Sir George Macfarlane (also representing Ministry of Defence Procurement Executive) and Lady Macfarlane, Sir Martin and Lady Flett.

Sir Eugene and Lady Melville, Sir George Edwards, Sir David Pitblado, Sir Richard Powell, Sir Derrick Carter, Sir Charles and Lady Villiers, Sir Frank Figgures, Sir Samuel Goldman, Sir Wilfred Morton, Sir Philip Allen, Sir Frank Sehon, Sir Arnold France, Sir Charles Cunningham, Sir Allen Marre, Sir Robert Marshall, Sir Derek Mitchell.

Lady Rowan, Sir Gordon Cox (representing Royal Institution), Sir Edward Playfair, Sir Herbert Broadley, Sir Antony and Lady Part, Lady Partridge, Sir David Serpell, Sir Bryan Hopkin, Sir Jack Rampton (Permanent Under-Secretary of State, Department of Energy), Sir James Dunnett, Sir Joseph Lockwood.

Sir Henry and Lady Hardman, Sir Douglas Wass (Permanent Secretary, HM Treasury), Sir George Leitch, Sir Stuart Milner-Barry, Sir Arthur Knight (deputy chairman, Courtaulds) with Lady Knight and Mr. J. P. Koppel (deputy chairman) and the Hon. Mrs. Koppel; Mr. N. H. Smith (finance director) and Mrs. Smith; Dr. W. J. Bushell (director); Mr. L. R. Croydon (company secretary).

Mr. Dermot and Dame Elsie Abbot, Mr. Oscar Hahn, Mr. L. G. Wood, Mr. G. Wheeler, Dr. E. N. Eden, Mr. Richmond Postgate, Mr. D. F. Hubback, Mr. Charles Watkinson (Civil Service Commission), Miss Patricia Brown, Mr. F. J. Doggett, Mr. T. H. Caulcott, Mr. D. A. Lovelock, Mr. K. J. Willoughby.

Mr. Ken Griffin, Dr. H. Peter Jost, Mr. R. G. Elkington, Mr. Graham Greene, Mr. and Mrs. Richard Griffiths, Mr. I. C. R. Byatt, Mr. John Howard, Mr. J. Leckie, Mr. John Boreham, Mr. E. W. G. Haynes, Mr. G. Ll. Law (Morgan, Grenfell and Company).

Mr. David Ewart, Mr. David Berriman, Mr. Robin Cuzner, Mr. William Knighton, Mr. Andrew Mantle, Mr. James Ogilvie-Webb, Mr. W. W. Roger (managing editor, Financial Times), Mr. G. B. R. Feilden (director general, British Standards Institution) with Miss J. M. Pring (joint secretary), Mr. A. J. Phelps (deputy chairman, HM Customs and Excise), Mr. G. C. Stebbing, Mr. S. Wainwright (chairman, Stothert and Pitt) and Mrs. Wainwright with Mr. S. Lane (director of manufacture and personnel) and Mr. J. A. Terry (financial director). Mr. John Read (chairman, EMI) with Mr. John Powell (managing director) and Mr. R. L. Watt (group director), Mr. Lucas Rall (chairman, Orion Insurance), Mr. Ewen McEwen (senior vice-president, Institution of Mechanical Engineers) and Dr. J. V. Dunworth (director, National Physical Laboratory).

Bedford to launch new middleweight range of vehicles

BY TERRY DODSWORTH

BEDFORD, the General Motors subsidiary, is to go into production with its new contender in the 16-24 ton truck market this autumn.

The launch of this middleweight range of vehicles, phase two of the TM series, comes almost a year after the company introduced its heavy 32 ton TM lorries. Like all models in the series, the latest variants are designed for world markets.

Bedford is bringing in its new vehicles against a background of acute depression in the heavy goods sector, which tends to follow well behind car markets in the industrial cycle. In the U.K. medium-to-heavy lorry sales are estimated to be 15 to 20 per cent. down on last year, and on the Continent too, where Bedford is aiming much of its expansion, they are reported to be equally badly affected.

At the same time competition has intensified this year with the introduction of new products from Ford and Seddon Atkinson.

Nine variants

The models to be introduced by Bedford, which has invested heavily in modern production facilities at its Dunstable plant, are aimed primarily at the "premium" middleweight rigid truck market and the 22-24 ton articulated field.

There will be nine variants in the range, powered by a new, Bedford-designed and produced diesel engine called the 500. The 32-tonners take a Detroit Diesel, designed by General Motors in the U.S.

Cabs on the phase two TMs come in three variants, all of which won for Vauxhall Motors, Bedford's U.K. parent, the 1975 Motor Vehicle Industry design Award for high standards of comfort and detail.

Car prices

Continental car importers to the U.K. are following the recent lead by British Leyland and Ford, and announcing price increases.

Most models in the Fiat range went up yesterday by an average of 6.7 per cent., and Lancia, the Fiat subsidiary which has held prices of its prestige products remarkably steady over the last 18 months, has announced rises of up to 10 per cent.

Peugeot increases of between 6 per cent. and 9 per cent. will become effective from August 7.

Lancia will also be shortly introducing into the U.K. its new 1600 Spyder model, based on the Beta coupé with a detachable roof section, at a price of £3,195. Its mid-engined Monte Carlo sports car is scheduled for launch in the British market some time next year.

NVT hits back over criticism of chairman

By Peter Cartwright, Midlands Correspondent

NORTON VILLIERS Triumph, the Midlands based motorcycle company, yesterday replied to criticism that Mr. Denis Poore, its chairman, appeared not to care a fig for the industry.

NVT, established with a near £5m. Government injection to rehabilitate the industry, has proposed a further investment of £40m.-£60m. to support a three-factory operation—two NVT factories and the recently established Meriden workers co-operative.

Relations between NVT and Meriden workers have recently deteriorated with the probability of three-day working at NVT. On Thursday, Mr. Peter Turner, Birmingham district secretary of the Confederation of Shipbuilding and Engineering Unions, deplored the way people were being manipulated by statements from NVT and elsewhere.

Mr. Turner's own feeling was that Mr. Poore was concerned only with getting rid of NVT. He did not appear to care a fig for the motorcycle industry.

Yesterday, Mr. Hugh Palin, NVT's external relations director, said he was astonished at Mr. Turner's statement. Mr. Poore was the only person in the past five years who had really devoted all his energies to rescuing the industry.

ICI raises funds with Eurobond issue

By Pauline Clark

IMPERIAL Chemical Industries is going to the foreign capital market for the second time in a month to raise funds for its planned £350m. capital expenditure programme this year.

After the successful floating of a $100m. bond on the New York market on June 17, the group's Bermudan subsidiary, ICI International Finance, is to raise DM100m. (£19.4m.) in the Eurobond market. The bonds are for quotation on the Frankfurt bourse.

It is doubtful whether either of these issues can be regarded as a true test of the acceptance of U.K. borrowers in foreign markets.

The Euro-issue is expected to go down well, but more because the group is viewed in foreign eyes as a truly international company now rather than just a top U.K. concern.

German links

It achieved this status largely through the New York borrowing when the group was rated triple-A by Moody's and double-A by Standard and Poors.

The group will be paying an 8½ per cent. interest rate on its seven year loan and the issue price is expected to be at 99½ per cent.

While the German foreign bond market has shown signs of being over-loaded with new issues recently, marks are a natural alternative to dollars for ICI in view of the wide interests in Germany.

The bonds are guaranteed by ICI itself and the management group is led by Deutsche Bank AG. The same syndicate handled a D mark 100m. Eurobond issue for ICI in 1972.

Guernsey water stock fears

EMERGENCY authorities in Guernsey have been told that water stocks have fallen to a dangerously low level.

The island's Water Board said yesterday the situation had been reported to Sir John Loveridge, Guernsey Bailiff and President of the island's Government's Emergency Council, to allow "contingency plans" to be drawn up now in case storage continued to be reduced at the present rate.

Gas drilling plans for Frigg field receive new setback

BY PETER FOSTER

HOPES OF installing the damaged £20m. gas drilling rig owned by the French operator Elf Aquitaine in the Anglo-Norwegian Frigg field have been abandoned, threatening further significant delay in bringing gas ashore.

Salvage of the platform DP One —which sank in 330 feet of water last October when its buoyancy system failed some 2½ miles short of the target drilling area—was completed this week. Detailed inspection showed that damage caused during the winter was too extensive to make repair worthwhile and the project has been abandoned.

The substitute concrete manifold platform which, under a contingency plan, is being transformed into a drilling support at Andalsnes in Norway, will be towed to the original DP One site when it is completed sometime later this year.

However, the concrete rig will require at least six months to "settle" before drilling operations can begin. No gas is likely to come ashore before the middle of 1977 and any further unforeseen problems could stretch this to 1978.

The damaged rig has been moved to a new location near the middle of the field and other possible uses for it are being evaluated. It could still be useful for a wide range of activities, including complementary drilling, compression and treating facilities.

As a result, British Gas Corporation may once again have to put back its projections for when Frigg gas is likely to come into the U.K. distribution network.

Frigg, which lies in the middle of the North Sea east of the Shetlands, is one of the largest offshore gas fields yet discovered and its total projected output of between 1.2m. and 1.5m. cubic feet a day would be equal to about a third of the supplies available to British Gas.

The French State-controlled oil group which is developing the field plans to do so in two separate phases, phase one of which will be completed when wells are sunk from the substitute platform on the DP One site. The whole plan is likely to cost more than £800m.

● Chevron Petroleum U.K., as operator for the Ninian Field participating companies, yesterday announced that it had temporarily abandoned its 3/3-5 appraisal well following confirmation that there were hydrocarbon accumulations in the Western area of the field.

Shoe imports rise much faster than exports

FINANCIAL TIMES REPORTER

SHOE EXPORTS rose by more than 23 per cent. in value in the first four months of this year compared with the same period last year, in spite of a slight drop in the volume of sales, according to British Footwear Manufacturers Federation statistics.

Sales by value came to £16.75m., compared with £13.59m. last year, with the EEC, the leading market, taking nearly a third of total sales.

Imports, however, increased at a faster rate and were up in both volume and value.

In volume terms, the total was 36.96m. pairs compared with 32.61m. pairs in the first four months of last year. The total pairage sold abroad by British manufacturers was only 5.86m.

The value of imports for the first four months reached £50.46m. against £38.84m. in the same period of last year. The two principal exporters to the U.K. were Hong Kong and Italy with 25 and 22 per cent., respectively, of total foreign sales in the U.K.

The third biggest supplier, France, accounted for only 7 per cent. of exports and the two main Comecon exporters—Poland and Czechoslovakia—accounted for only 7 per cent. between them.

Firemen to drop demand for interim pay rise

BY LORELIES OLSLAGER, LABOUR STAFF

Representatives of Britain's 27,000 firemen decided yesterday not to seek a confrontation with the Government and to drop their demand for an interim pay rise after publication of the White Paper on inflation.

After watching Mr. Harold Wilson announcing the policy on television yesterday morning, delagtes at a special conference of the Fire Brigades Union in Blackpool voted against proposals for stepped-up industrial action, including strikes in selected areas, in support of the claim. The vote was 16,889 to 10,258.

Despite the decision to drop the pay claim, delegates at the Blackpool conference decided to continue the union's emergency-calls-only campaign in order to force the employers to withdraw proposals for implementing a 40-hour week. These proposals, the union claims, would mean firemen had to accept a return to the working condition of 40 years ago.

Productivity

The conference also decided to seek a payment for increased productivity, but delegates accepted that this may be impossible under the new pay policy. In that case, they want a commitment from the employers that increased productivity would be honoured by a pay rise as soon as legally possible.

The emergency-calls-only campaign continues to have the worst effects in London, where on average some 70 out of 300 fire engines are out of action every day.

Meanwhile the union's unrelated instruction to members in rural areas to stop working extra hours at stations other than their own led to the clash with members at Swadlincote. Eight men resigned from the union there after three of their mates were expelled for refusing to obey the ban. The men claim that obeying the union's instructions would have meant inadequate fire cover in their area.

Spokesman for the union refused to comment on the case.

Leyland bus workers vote for £6 a week

BY OUR LABOUR STAFF

SOME 9,000 manual workers at British Leyland's Lancashire bus and truck factory yesterday voted to accept a £6-a-week flat-rate rise for the coming 12 months, in line with the Government's new pay policy.

But 26 plumbers employed at the factory illustrated the difficulties that may lie ahead in implementing the policy by stopping work in protest against the deal, which they claimed is eroding their differentials.

The deal also provides for a £62-a-head lump sum payment to be made in September, which could be attacked for being in excess of the new wage ceiling.

Attempts are now being made to get the plumbers to accept the deal. Their exact demands were not known last night, but they are defending their position in the pay league against erosion by the new flat rate policy, which benefits the lower paid.

The £6 a week rise means a more than 15 per cent. increase in the basic rate of an unskilled worker at the plant, but only 11 per cent. for a skilled man. The present rates are £39.80 and £54.60 respectively.

The £6 settlement at the Lancashire factory follows a similar rise for some 8,000 staff at Austin Morris factories in Wales and the Midlands earlier this week.

The staff, all members of the Association of Professional, Executive, Clerical and Computer Staffs (APEX), said they had settled for £6 a week as a way of saying "thanks" to the Government for its support for BL.

No such sentiments were expressed in Lancashire yesterday. The works convenor, Mr. Len Brindle, simply commented that "the negotiations were mutually acceptable to both the management and ourselves."

Gas 'white collar' men settle for 25%

By Lorelies Olslager, Labour Staff

A 25 PER CENT. pay rise for nearly 60,000 white collar employees in the gas industry was agreed yesterday, 30 minutes before the Government's new pay policy was disclosed in the House of Commons.

Union officials claim that the deal, the last major settlement in the public sector in the current pay round, was well within the former social contract guidelines.

It is in line with other recent settlements for white collar staff in the public sector, which have tended to be below the record 30 per cent. rises obtained by groups of manual workers such as the railwaymen.

The 25 per cent. rise incorporates existing £127 threshold payments. "New money" increases for the various grades range from 18.1 per cent. to 21.2 per cent.

The pay of the lowest grade affected by the deal will rise from £1,410 to £1,641, and for the highest from £4,704 to £5,673 a year.

Opening

The unions had initially asked for £10 a week and plus 15 per cent. for each grade. The employers opening offer was for a 21.7 per cent. rise.

The agreement will be backdated to July 1, and should not run into any difficulties under the new policy.

The gas industry's 41,000 manual workers obtained a 30 per cent. pay rise last January. In one of the first public sector settlements that brought the pay guidelines of the social contract to grief, they justified their increases by expected inflation. Fourteen per cent. of their rise was granted because of expected price rises—an increase that has by now been eroded by inflation.

Parsons engineering staff accept 8% pay offer

BY OUR NEWCASTLE CORRESPONDENT

THE 1,100 white-collar engineering workers at the Newcastle works of C. A. Parsons yesterday accepted a new pay offer giving them 8 per cent. plus £3 extra.

The men, members of the Technical and Supervisory Section of the Engineering Union, were to have gone on strike next week until the company raised its offer, which is worth between about £7 and £10 extra.

There is no sign of an end to the strike by 4,000 manual workers which has stopped production at the plant. The men have been offered £6 now and £4 later. They want £10 now.

The 750 TASS members at the sister-company of Reyrolle at Hebburn are also on strike over the suspension of 30 colleagues for operating sanctions in support of a pay claim.

At the neighbouring engineering works of Clarke Chapman, 400 boilermakers are to return to work on Monday after a week-long strike to allow talks to take place over an interim pay claim.

Editor claims print men used 'mob rule' in dispute

BY OUR PETERBOROUGH CORRESPONDENT

MOB RULE by union members ended a seven-week-long dispute by 40 printing workers, it was alleged yesterday.

The accusation came from Mr. Mike Colton, editor of the Peterborough Standard, one of the five weeklies in the Sharman Group which has been in dispute with the NGA over the introduction of new computer typesetting equipment.

The men were dismissed after staging a sit-in over the machinery, which they said would mean redundancies. They then claimed an official lock-out.

The climax came a week ago when 200 pickets turned up at the gates to stop the company's 130,000 newspapers from leaving. Police subsequently arrested 25 pickets who have been bailed to appear before local magistrates in September.

Yesterday Mr. Colton claimed in an editorial in his newspaper that police had been intimidated and that forces had been at work which rendered them impotent.

He alleged that the pickets, with police knowledge, agreed to let workers out of the factory only if they agreed to have their cars searched.

Report

The company agreed an interim settlement with the union the following day, reinstated the 40 workers and are now using their new £80,000 computer while a report is being compiled with the co-operation of the Newspaper Society.

● More than 70 journalists employed by the Evening Telegraph at Kettering, Northamptonshire, held an all-day mandatory chapel meeting for the second successive day, yesterday, in protest at management proposals for a six-month freeze on car mileage expenses and the ending of a £15 a year lump sum allowance towards car insurance.

Contractors sack 10 electricians

By Our Liverpool Correspondent

The ten electricians who have been on unofficial strike for more than three weeks at the Inland Revenue office block site in Bootle were dismissed by McAlpine's, the contractors last night.

The men had rejected a final appeal to return to work and had continued to picket the site of the nearly completed building halting vehicles delivering essential materials.

They were demanding the reinstatement of a colleague dismissed two months ago for alleged industrial misconduct.

About 60 building operatives who had stopped work in sympathy went back on duty last week on the site which is more than three-and-a-half years behind schedule.

Strike ends at Ind Coope's Oxford depot

A STRIKE by 50 workers at the Oxford depot of Ind Coope which, in the past week, has caused many of the 450 public houses in the district to run out of draught beer was called off yesterday.

The men were told that if they went back they would get an immediate cash offer which would increase their earnings by up to £11 a week, giving the lowest paid manual worker £60 a week.

Dispute closes shipyard

By Our South Shields Correspondent

THE PAY strike which on Monday closed the six Tyne shipbuilding yards of Swan Hunter also closed last night the associated yard of Clelands Shipbuilding Co., Wallsend. About 180 outfitting and ancillary workers have joined 5,000 of their counterparts in the Swan Hunter yard in support of a demand for their pay to be increased in line with an award a fortnight ago to boilermakers of £8.30 plus £2 next January. Closure of Clelands has put another 320 workers—mainly boilermakers—out of jobs.

Army doctors' pay threat

BY OUR LABOUR STAFF

THE 2,000 doctors in the Armed Services fear a 33 per cent. pay rise they say is owing to them will be trapped by pay limits.

Their negotiator, Mr. Myles Gibson, a consultant surgeon, said yesterday that if a 25 per cent. interim was not forthcoming many would resign their commissions.

Armed forces medical pay is linked to that of civilian doctors, but the review body which makes the recommendations has not yet reported, despite pleas for an interim.

3,300 Plessey workers laid-off

BY OUR NEWCASTLE CORRESPONDENT

The entire production staff of 3,300 were laid off last night because of a strike by 430 clerical workers at the Sunderland and South Shields factories of Plessey Telecommunications.

The strike started on Thursday after the breakdown of pay talks. The closure of the factories will affect all manual workers. Only managers and some supervisory staff will remain on duty.

Members of the Association of Professional, Executive, Clerical and Computer staffs have turned down an offer of between £5 and £7 with a further £1.25 in January. They want the same £7 minimum recently agreed with manual workers.

AWARD RATIFIED

A £25m. arbitration award improving differentials for about a third of the 1m. local authority manual workers from last month has been ratified by unions and employers on the national joint council.

TV Top 20

Week ends July 6

			Homes viewing (m.)
1	Edward VII	ATV	7.15
2	Man about the House	Thms.	6.65
3	And Mother Makes Five	Thms.	6.35
	Crossroads (Thur.)	ATV	6.35
5	News at Ten (Wed.)	ITN	6.25
6	Coronation Street (Mon.)	Gran.	6.20
	Three Comedies of Marriage	Thms.	6.20
8	Coronation Street (Wed.)	Gran.	6.15
9	Crossroads (Tues.)	ATV	6.00
10	It's a Knockout	BBC	5.95
11	Crossroads (Wed.)	ATV	5.90
	News at Ten (Thurs.)	ITN	5.90
	Crossroads (Fri.)	ATV	5.90
14	Rising Damp	Yorks.	5.65
15	The Main Chance	Yorks.	5.60
16	Sam	Gran.	5.40
17	Sale of the Century	Anglia	5.35
	Cannon	BBC	5.35
	That's Life	BBC	5.35
20	Romany Jones	LWT	5.25

Figures compiled by Audits of Great Britain for Joint Industry for Television Audience Research.

This week's SE dealings

Friday, July 11	5,081	Tuesday, July 8	4,792
Thursday, July 10	5,865	Monday, July 7	4,923
Wednesday, July 9	5,117	Friday, July 4	5,173

The list below records all yesterday's markings and also the latest markings during the week of any share not dealt in yesterday. The latter can be distinguished by the date (in parentheses).

The number of dealings marked in each section follows the name of the section. Unless otherwise denoted shares are £1 fully paid and stock £100 fully paid. Stock Exchange securities are quoted in pounds and fractions of pounds or in new pence and fractions of new pence.

The list below gives the prices at which bargains done by members of the London Stock Exchange have been recorded in the Stock Exchange Daily Official List. Members are not obliged to mark bargains, except in special cases, and the list cannot, therefore, be regarded as a complete record of prices at which business has been done. Bargains are recorded in the Official List up to 2.15 p.m. only, but later transactions can be included in the following day's Official List. No indication is available as to whether a bargain represents a sale or purchase by members of the public. Markings are not necessarily in order of execution, and only one bargain in any one security at any one price is recorded.

‡ Bargains at Special Prices. Δ Bargains done with or between non-members. ◆ Bargains done previous day. § Bargains done with members of a recognised Stock Exchange. ♣ Bargains done for delayed delivery or "no buying-in." $A—$Australian; $B—$Bahamian; $C—$Canadian; $HK—$Hong Kong; $J—$Jamaican; $Ma—$Malayan; $Me—$Mexican; $NZ—$New Zealand; $S—$Singapore; $US—$United States; $WI—$West Indian.

BRITISH FUNDS, ETC. (733)

2½pc Anns. 17◆
3pc British Transport Stk. 1978-88 46½◆ [illegible]
4pc British Transport Stk. 1972-77 90½◆ 90◆ [illegible]
2½pc Cons. Stk. 18[illegible]
4pc Cons. Ln. 28 [illegible]
3½pc Conversion Ln. 26[illegible]
5pc Exchequer Ln. 1976-78 85[illegible] 6½◆ [illegible]
6½pc Exchequer Stk. 1976 98[illegible]
5½pc Funding Ln. 1978-80 [illegible]
5½pc Funding Ln. 1987-91 56 5¼
6pc Funding Ln. 1993 53½◆ 4
[illegible]

Nottingham Corp. 6pc 87¼◆. 6¼pc 86◆
Oxford Corp. 7¼pc 87¼
Salford Corp. 5¼pc 50½ 1¼ (7/7)
Somerset County Council 5pc 95[illegible]
Southampton Corp. 7½pc 95[illegible] (10/7)
Southend-on-Sea 12½pc 98¼ (10/7)
Walsall Corp. 3pc 94 (7/7). 6¼pc 81◆ (10/7)
West Bromwich Corp. 5¼pc 76 (9/7). 7pc 94[illegible] (10/7)
Westminster (City of) 13pc 97[illegible] [illegible]

SHORT DATED BONDS
FREE OF STAMP DUTY
[illegible]

PUBLIC BDS., ETC.—U.K. (31)
FREE OF STAMP DUTY
[illegible]

COMMONWEALTH GOVT. AND PROVINCIAL SECURITIES (15)
[illegible]

COMMONWEALTH CORPN. STOCKS (—)
[illegible]

FOREIGN STKS., BDS., ETC. (1)
[illegible]

U.K. AND COMMONWEALTH RAILWAYS (2)
[illegible]

FOREIGN RAILWAYS (—)
[illegible]

INT. BANK STOCK (2)
FREE OF STAMP DUTY
[illegible]

CORPN. & COUNTY—U.K. (65)
FREE OF STAMP DUTY
[illegible]
Hendon Con. 5pc 92¼
Hertfordshire County Council 5½pc 73¼. 5½pc 59½. 6¼pc 90 (8/7)
Huntingdon and Peterborough County 8½pc 81 (8/7)
Kent County 5¼pc 83 (10/7). 9¼pc 86½ (9/7)
Leeds Corp. 3pcDb. 18 (10/7). 7½pcRed. 85¼ (10/7)
Liverpool Corp. 3½pc 22½◆. 5½pc 98½ (7/7). 5¼pc 83. 7pc 90¼
Manchester Corp. 3pc 1891 19 (8/7).
Middlesex Corp. 6¼pc 87¾ (10/7)
Newcastle-upon-Tyne Corp. 5½pcCons. Rd. 86½ (10/7). 6pc Cons. Rd. 97½. 8¼pc Corp. Red. 89 (9/7)
Newham Corp. 6¼pc 99[illegible]

BANKS & DISCOUNT COS. (214)

[illegible]
Grindlays Hldgs. (25p) 80
Guinness Peat Gp. (25p) 144◆ 2. 8pc Ln. 88
Hambros 180 (10/7). Sha. (25p) 190◆ 89 95. 7pcLn. 48¼ (9/7)
Hill, Samuel (25p) 87◆ 60 6
Hongkong Shanghai (SHK2.50) $U.S.3.23◆ p235 5 7
Joseph (Leopold) 212 (10/7)
Kayser Ullmann (25p) 47◆ 50 4 2 5. 7¼pcDb. 63◆ 2½ (10/7)
King Shaxson (20p) 65◆ 2½ (10/7)
Kleinwort Benson (25p) 103◆ 4◆
Lloyds Bank 206½◆ 5½◆ 4◆ 8 11 10‡ 10 12 7. 7½pcLn. 84½
Lombard North Cent. 5pc2ndPf. 30 (9/7)
Mercury Securities (25p) 110 11 9
Midland Bank 265◆ 55 8 3 2 6 80 1‡
[illegible]

BREWERIES & DISTILLS. (123)

[illegible]

CANALS & DOCKS (3)

[illegible]

COMMERCIAL, INDUSTL. (2,680)

A—B

[illegible]

C—D

[illegible]

E—F

[illegible]
Esperanza Trade Transport (12½p) 57 (10/7)
European Ferries (25p) 60½◆ 59½◆ 61 ½ 60½
Eva Industries (25p) 40½◆ 1 (10/7)
Every Ready (Hldgs.) (25p) 80◆ 79◆. New (25p) 78
Exchange Telegraph (Hldgs.) (25p) 70 (10/7)
Expanded Metal (25p) 63½◆ 4½‡◆ 4◆
Express Dairy 6¾pcDb. 56½ (7/7)
FMC (25p) 73 (9/7). 6pcPf. 40
FPA Construction (25p) 12½◆
FPE Group (5p) 6½ (9/7)
Fairbairn Lawson (25p) 15½ (7/7)
Fairey (25p) 60◆ (10/7)
Fairview Ests. (10p) 45‡
Farnell Electronics (20p) 68 (8/7)
Feedex (10p) 42◆

G—H

[illegible]

I—J—K

[illegible]

L—M

[illegible]
subscribe 37
Lafarge Organisation (25p) 15 (7/7)
Laing (John) (25p) 126 (9/7). New (25p) 127◆ (10/7). A (25p) 127. New A (25p) 124◆
Laird Grp. (25p) 37½. New (25p) 39½ 9 (9/7)
Lake Elliot (25p) 38 (10/7)
Lamson Industries (25p) 75½◆ 6 5
Laporte Indus. (Hldgs.) (50p) 78◆ 6 80
Lawdon (10p) 8½ (9/7)
Lawrence (Walter) (25p) 52 (8/7). New (25p) 55 (7/7)
Lead Indus. Grp. (50p) 100
LeaderBush (Doors) (10p) 13½ (7/7)
Le Bas (Edward) (25p) 30 (7/7)
Leboff (S.) (Fobel) New (10p) 3 4
Lebus (Harris) (25p) 37 (7/7)
Lee Cooper Grp. (25p) 65◆
Leigh Interests (5p) 21½◆
Leigh Mills (25p) 8½ (9/7)

Business equipment sales monitor to be published

BY LORNE BARLING

A NEW monitor of business equipment sales is to be published by the Department of Industry's business statistics office, bringing together a range of products previously covered separately.

The department said it had previously been impossible to obtain from one central source comprehensive information about the office equipment market.

The new monitor will cover electronic computer equipment, office machinery, document copying machines, dictating machines, private telephone exchange equipment, office furniture, business forms, paper fasteners, and miscellaneous stationers' equipment.

The first summary showed that total sales by U.K. manufacturers last year amounted to £980m. Exports accounted for £425m. U.K. imports of equipment totalled £551m.

Exports in the last two quarters of the year remained stable at about £115m., but imports rose from £131m. to £153m.

The most notable increases in imports were in computer equipment, which rose by nearly £10m., office machinery, which increased by a similar amount, and copying machines and equipment.

Hawker ends sales pact

Hawker Siddeley Aviation of the U.K. and Beech Aircraft Corporation of the U.S. are ending their agreement whereby Beech markets Hawker's HS-125 business-jet aircraft throughout the U.S. From October 1, Hawker will market its own business-jets there, writes Michael Donne.

The reason for the decision, announced by Sir John Lidbury, managing director of HSA, and Mr. Frank Hedrick, president of Beech, is that the much higher rate of inflation in the U.K. than in the U.S. has forced HSA to cut costs all round, which includes cutting out middlemen such as Beech.

The HS-125 sells for about £900,000. By direct marketing through the already existing HSA Incorporated of the U.S., Hawker feels it can help to reduce substantially the disadvantage at which it has been placed through the U.K.'s higher inflation rate.

Since the HSA-Beech pact was signed in late 1969, and Beech HS-125 marketing began in April, 1970, 60 HS-125s have been sold in the U.S.

Total world-wide sales of HS-125s have amounted to 338, worth about £115m., of which 269 have been exported, worth about £88m.

The two companies will continue to keep in contact, and hope that at some future date they will be able to resume the kind of relationship they have had with the HS-125.

Under the agreement, HS-125s built in the U.K. have been shipped "bare hull" to the U.S. for finishing and customer-styling by Beech before delivery. Now much of the work will be done in the U.K., and finished aircraft either flown or shipped out to the U.S. for direct delivery to customers.

هكذا من الأصل

Studebaker Worthington API. £10½
8Conv £42½
Union Gas 548
(By permission of the Stock Exchange Council)

NEW "HIGHS" AND "LOWS" FOR 1975

The following securities (numbers in parentheses) among those quoted in the Share Information Service yesterday attained new "highs" and "lows" for 1975.

NEW HIGHS (23)

BRITISH FUNDS (1)
Savings 3pc 1965-75
INTERNATIONAL BANK (1)
5pc Stock 1977-82
CORPORATION LOANS (1)
G.L.C. 5½pc 1976
COM'WEALTH & AFRICAN LOANS (4)
Aust. 6pc 1974-76 Aust 5½pc 1981-82
Do. 5½pc 1975-78 N.Z. 6pc 1976-80
AMERICANS (2)
Chrysler Hutton (E. F.)
CANADIANS (1)
Rio Algom
BEERS (1)
Cameron (J. W.)
STORES (2)
Dewhirst Vantona
ELECTRICALS (1)
Dreamland
FOODS (1)
Somportex
INDUSTRIALS (2)
Fredes Monsanto 5pc '82-86
SOUTH AFRICANS (1)
Hulett's
TRUSTS (2)
City of Oxford East & West Inv.
OILS (2)
Shell Trans. 7pcPf Texaco 4½pc Conv.
TEAS (1)
Cons. Tea & Land

NEW LOWS (10)

CANADIANS (1)
Bell Canada
ENGINEERING (2)
Beeston Foundry Spooner Inds.
INDUSTRIALS (4)
Nu-Swift Quality Cleaners
Peerage Silverthorne
PROPERTY (2)
Amal. Inv. & Prop. Godfreys
OVERSEAS TRADERS (1)
Jacks (William)

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds ...	1	50	2
Corpns. Dom. and Foreign Bonds ..	26	3	44
Industrials	171	500	1,072
Financial and Prop. ..	48	238	345
Oils	9	33	9
Plantation	7	11	30
Mines	23	67	63
Recent Issues	8	25	41
Totals	295	891	1,607

ACTIVE STOCKS

YESTERDAY—

Stock	Denomination	No. of marks	Closing price (p)	Change on week	1975 high	1975 low
ICI	£1	19	266	− 7	302	118
Metal Box 'New'	Nil/pd.	17	20*	—	28*	17*
Bowater 'New'	Nil/pd.	18	21*	− 2	31*	7½*
Imperial Group	25p	12	67	—	68½	32
Boots	25p	11	194	−13	276	91
Courtaulds	25p	11	118	− 5	140	53
Shell Transport	25p	11	308	− 7	343	118
Unilever	25p	11	374	−12	404	170
Commercial Union	25p	10	154	− 4	184	72
GEC	25p	10	120	− 3	133	51
Bats	25p	9	312	−11	338	164
Burmah Oil	£1	9	31	− 1	100	27
Distillers	50p	9	142	− 4	150	65½
GKN	£1	9	224	− 7	277	95
Leg. & Gen. New	Nil/pd.	9	18*	− 2	22*	15*

The above list of active stocks is based on the number of bargains recorded yesterday in the Official list and under Rule 163(1) (e) and reproduced to-day in Stock Exchange dealings.

* Premium.

ON THE WEEK—

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1975 high	1975 low
Bowater 'New'	Nil/pd.	101	21*	− 7	31*	7½*
ICI	£1	80	266	− 2	302	118
Shell Transport	25p	65	308	− 7	343	118
BP	£1	54	530	—	553	190
Midland Bank	£1	54	245	−18	305	122
Bats	25p	52	312	− 6	338	164
Lloyds Bank	£1	52	205	−18	265	94
Courtaulds	25p	48	118	−10	140	53
Distillers	50p	48	142	− 5	150	65½
Redland 'New'	Nil/pd.	48	10*	− 1½	12*	8*
Barclays Bank	£1	47	255	−20	325	112
Marks & Spencer	25p	46	195	− 8	256	95
Grand Met.	50p	44	63	− 5	69	19½
Nat Westminster	£1	44	215	−12	275	88
Hanson Tst.	25p	43	158	−18	170	57

* Premium.

Option Report—3-month Call rates

OPTION DEALING DATES

First Dealings	Last Dealings	Last Declaration	For Settlement
July 8	July 21	Oct. 8	Oct. 14
July 22	Aug. 4	Oct. 16	Oct. 28
Aug. 5	Aug. 19	Oct. 30	Nov. 11

"Calls" were done in Berry Wiggins, Brooke Bond, Dixons Photographic "A," "Lofs," Imperial Group and British Petroleum. A "put" was dealt in BOC International, while "doubles" were arranged in Spillers and Burmah Oil.

[illegible]		[illegible]	8	[illegible]	16		
		G.U.S. 'A'	20	Spillers	7	Mines	
A. P. Cement	40	[illegible]	20	Tesco	6	Anglo Amer.	60
Assoc. Leisure	3	G.K.N.	28	Thorn 'A'	20	Broken Hill Pty	75
Barclays Bank	55	Hawker Sidd.	50	Tube Invest.	30	Charter Cons.	22
Beecham	28	House of Fraser	10	Unilever	40	[illegible]	8
Boots Drug	24	Hudson Wlms	5	Utd. Drapery	12	Cons. Gold	25
Bowaters	20	I.C.I.	24	Vickers	16	De Beers Def.	25
B.A.T.	55	"Imps"	7	Woolworths	6	F. S. Geduld	350
British Leyland	1½	I.C.L.	7			Great Boulder	12
British Oxygen	6	Inveresk	10	Property		Hampton Areas	15
Burton 'A'	9	Legal & General	17	Cap. Counties	7	Hampton Prop.	5
Cadburys	6	Lloyds Bank	60	E.P.	11	Kloof	190
Courtaulds	14	"Lots"	7	Int. Europe	7	[illegible]	19
Debenhams	11	"Mams"	9	Land Securities	22	[illegible]	55
Distillers	16	Marks & Spncer	25	Peachey	7	Metals Explor.	5
Dunlop	6	Midland Bank	32	Town & City	6	[illegible]	55
Eagle Star	16	Nat'West Bank	40	Town & Comm.	7	Pres. Steyn	375
E.M.I.	20	P & O Dfd.	16			Rio T. Zinc	40
First National	5	Plessey	10	Oils		Welkom	55
G.R.A. Trust	7	R.H.M.	7	Brit. Petroleum	46	West Areas	75
Gen Accident	16	Rank Org. 'A'	26	Burmah Oil	6	Western Ming	15
Gen Electric	14	Reed Int'l	28	Shell	50	Zambia Copr	10
Glaxo	40			Ultramar	11		

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest	Interest payable	Minimum sum	Life of bond
	%		£	Year
Barking (01-592 4500)	11¾	½-year	1,000	2-5
Burnley (0282 25011)	12	½-year	1,000	3-5
Dartford (27266)	12¼	½-year	5,000	2-5
Dudley (0384 211505)	12¼	½-year	1,000	3-4
Exeter (0392 77888)	11¾	½-year	500	3-5
Greenwich (01-854 8888)	12	½-year	500	3-5
Liverpool (051 227 3911)	12	½-year	500	3-4
Liverpool (051 227 3911)	12¼	½-year	500	5-7
Redbridge (01-478 3020)	12¼	½-year	5,000	3-5
Sandwell (021 569 2226)	12	½-year	1,000	2-5
Sefton (051 922 4040)	12¼	½-year	2,000	3-5
Thurrock (0375 5122)	11¼	½-year	300	1-2
Wandsworth (01-874 6464)	12¼	½-year	5,000	4-5
Wandsworth (01-874 6464)	12¼	½-year	1,000	4-5
West Yorks. (0924 75234)	12	½-year	1,000	3-4

BUILDING SOCIETY RATES

	Dep.	Share Accnts.	Sub'pn Shares	Variable Term Shares
Abbey National	6.75%	7.00%	8.25%	●8.00%
Alliance	6.75%	7.00%	8.25%	‡‡7.75%
Anglia	6.75%	7.00%	8.25%	‖7.75%
Birmingham Incorporated	6.75%	7.00%	8.25%	—
Bradford and Bingley	6.75%	7.00%	§§8.25%	—
Bristol and West	6.75%	7.00%	8.00%	—
Bristol Economic	6.75%	7.00%	8.25%	†7.25%
Cardiff	6.75%	7.50%	8.50%	—
Chelsea	6.75%	7.00%	9.00%	†7.25%
Cheltenham and Gloucester	6.75%	7.00%	—	‡7.75%
Cheshire and Northwich	6.75%	7.00%	8.25%	—
Citizens Regency	6.75%	7.25%	8.75%	—
City of London	7.00%	8.00%	8.50%	—
City and Metropolitan	6.75%	7.25%	7.50%	¶8.00%
Coventry Economic	6.75%	7.00%	8.75%	§§7.75%
Gateway	6.75%	7.00%	8.25%	¶7.75%
Greenwich	6.00%	7.10%	8.50%	—
Halifax	6.75%	7.00%	7.50%	¶7.75%
Hastings and Thanet	6.75%	7.00%	8.25%	—
Hearts of Oak and Enfield	6.75%	7.25%	8.50%	—
Hendon	7.00%	7.30%	—	*8.05%
Huddersfield and Bradford	6.75%	7.00%	8.50%	♡7.75%
Leamington Spa	6.87%	7.12%	9.50%	7.50%
Leeds and Holbeck	6.75%	7.00%	8.00%	—
Leeds Permanent	6.75%	7.00%	8.25%	—
Leek Westbourne and ECBS	6.75%	7.00%	8.25%	¶¶7.75%
Leicester	6.75%	7.00%	8.25%	††7.75%
Liverpool	6.75%	7.00%	8.30%	*7.50%
Magnet	6.75%	7.00%	7.75%	♡7.75%
Mornington Permanent	6.45%	7.65%	—	—
National Counties	7.00%	7.25%	8.25%	◇7.75%
Nationwide	6.75%	7.00%	7.50%	♧8.25%
Newcastle Permanent	6.75%	**7.00%	7.75%	8.00%
Northern Rock	6.75%	7.00%	8.00%	‡7.75%
North London	7.75%	8.25%	—	♤9.15%
Norwich	6.75%	7.00%	8.25%	—
Paisley	7.25%	7.00%	8.00%	‖‖7.50%
Portman	6.75%	7.00%	8.50%	♤8.25%
Property Owners	6.75%	7.50%	8.50%	†7.85%
Provincial	6.75%	7.00%	8.25%	7.75%
Skipton	6.75%	7.00%	7.25%	—
Sussex Mutual	6.25%	♠7.30%	—	—
Woolwich Equitable	6.75%	7.00%	8.25%	¶7.75%

*Minimum £2,000 6 mths. notice. †3 mths. ‡3 yrs. §3 yrs. including bonus. ¶ Min. £500 2 yrs. fixed. ‖ 4th issue 2 yrs. ● 2 yrs. over £5,250. ** 7.50% over £5,000. †† 2-3 yrs. ‡‡ 2 yrs. §§ 7.50% 3 mths. notice after 9 mths. ¶¶ 2 yrs. £1,000 min. ‖‖ 2 yrs. £2,000 min. ♤ 2 yrs £3,000 min. ♡ Min. £100 2 yrs. fixed. ◇ Min. £1,000 6 mths. notice. ♧ 3 yrs. over £5,000. ♠ 7.80% over £5,000.

U.K. CONVERTIBLE STOCKS 11/7/75

Statistics provided by *data STREAM International*

Name and description	Size (£m.)	Current price	Terms*	Conversion dates	Flat yield	Red. yield	Premium† Current	Premium† Range‡	Income Equ.§	Income Conv.¶	Income Diff.♡	Cheap(+) Dear(−)◇ Current
Acrow Engineers 8pc P. Cv. 92-02	7.38	50.00	●	77-87	16.1	16.3	77.6	73 to 120	16.7	45.1	100.9	23.4
Alcan Aluminium 9pc Cv. 89-94	12.00	68.00	100.0	76-80	13.3	13.9						
Associated Paper 9½pc Cv. 85-90	1.40	63.00	200.0	76-85	15.1	16.1	18.9	9 to 56	48.5	48.1	−0.7	−19.5
Bank Ireland 10pc Cv. 91-96	10.25	130.00	23.8	77-90	7.9	7.1	16.2	11 to 35	45.6	65.0	15.6	− 0.6
BPB 7¾pc Cv. 89-94	5.00	75.00	62.0	72-80	10.6	11.3	19.8	12 to 35	21.6	28.0	10.2	− 9.6
English Property 6½pc Cv. 98-03	19.98	182.00	234.0	76-80	5.0	4.4	−4.4	−29 to 3	32.9	23.5	−6.9	− 2.5
Grand Metropolitan 10pc Cv. 91-96	121.90	86.00	120.2	73-78	12.0	12.2	8.4	6 to 22	15.3	21.2	7.5	− 1.0
Hanson Trust 6½pc Cv. 88-93	4.51	102.50	57.1	76-86	6.5	6.4	10.0	5 to 28	33.4	36.0	2.8	− 7.3
Hewden-Stuart 7pc Cv. 1995	0.86	135.00	280.0	75-95	5.3	4.6	−10.7	−37 to 3	56.9	48.3	−5.7	5.0
Lyons, J. 7¾pc Cv. 1981	3.60	78.00	22.7	75-81	9.8	13.7	135.5	90 to 158	11.9	29.6	55.0	−80.5
Mercantile Credit 9pc Cv. 1980	12.68	78.00	138.0	76-80	12.0	16.4	182.6	62 to 206	0.0	30.4	110.3	−72.3
Scottish Automobile 10pc Cv. 85-90	2.00	55.00	166.0	75-85	18.6	19.5	10.4	− 5 to 38	42.2	51.6	18.8	8.3
Slough Estates 10pc Cv. 87-90	5.50	135.00	125.0	78-87	7.5	6.1	28.6	25 to 35	24.3	55.4	29.6	1.1
Tozer, Kemsley 8pc Cv. 1981	7.33	85.00	153.8	74-79	9.6	11.8	27.0	23 to 60	15.9	24.3	12.6	−14.4
Wilkinson Match 10pc Cv. 83-98	11.10	84.00	40.0	76-83	11.9	12.1	69.4	41 to 76	26.0	46.7	41.6	−27.8

● 22 Ordinary "A" shares (non-voting) plus £30 unsecured loan stock

* Number of Ordinary shares into which £100 nominal of convertible stock is convertible. † The extra cost of investment in convertible expressed as per cent. of the cost of the equity in the convertible stock. ‡ Three-month range. § Income on number of Ordinary shares into which £100 nominal of convertible stock is convertible. This income, expressed in pence, is summed from present time until income on Ordinary shares is greater than income on £100 nominal of convertible or the final conversion date, whichever is earlier. Income is assumed to grow at 5 per cent. per annum and is present valued at 15 per cent. per annum. ¶ Income on £100 of convertible. Income is summed until conversion and present valued at 15 per cent. per annum. ♡ This is income of the convertible less income of the underlying equity expressed as per cent. of the value of the underlying equity. ◇ The difference between the premium and income difference expressed as per cent. of the value of underlying equity. + is an indication of relative cheapness. − is an indication of relative dearness.

STOCK EXCHANGE REPORT

Sharp reversal on scepticism about economic measures

Share index down 10.8 at 313.6—Gilt-edged turn weak

Account Dealing Dates

Option

*First Dealings	Declarations	Last Dealings	Account Day
Jun. 30	July 10	July 11	July 22
July 14	July 24	July 25	Aug. 5
July 28	Aug. 7	Aug. 8	Aug. 19

* "New time" dealings may take place from 9.30 a.m. two business days earlier.

Disappointment with the Government's anti-inflationary measures led to a setback which embraced all sections of the equity market yesterday and transformed substantial early rises in British Funds into closing falls to ¾. The latter left the Government Securities down 0.39 at 60.13, but still showing a rise of 0.80 on the week; the announcement of a new long "tap" stock was delayed until well after the market close.

The morning gains in gilts ranged to a point on a continuation of hopes of a tough Government stance, but the absence of public spending cuts and news of the delaying of the phasing out of food subsidies disillusioned the earlier buyers. Part of the reaction in both equity leaders and gilts reflected end-Account and pre week-end profit-taking after the recent run-up, but the former were also meeting some "new-time" selling for the Account starting next Monday. Losses in leading shares ranged to 10 and occasionally more and the FT 30-share index closed at the lowest of the day with a fall of 10.8 at 313.6. Over the Account, however, the index rose 18 points.

Spectacular Gilts

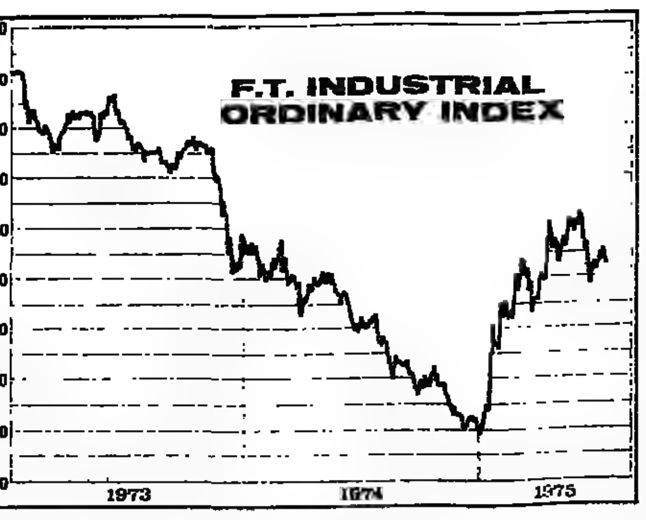
Yesterday's setback was reflected in a majority of falls over rises by about 3-1 in FT-quoted Industrials and a loss of 1.6 per cent. to 137.38 in the FT-Actuaries All-share index. Stores were particularly hard hit by fears about profit margins, and an above-average fall of 2.9 per cent., to 104.41, occurred in the FT-Actuaries index for the sector.

The day in Gilt-edged was nothing short of spectacular with the ultra-late announcement of a new long "tap" providing a fitting climax to the day's proceedings. Fresh headway was made by the longs, still the main centre of interest, immediately dealings started and in front of the anti-inflationary White Paper gains were extending to a point. First thoughts on the proposed measures, however, were disappointing and a reaction began which accelerated in the late afternoon following talk of a new medium "tap" accompanying a new long-dated issue. Just before the official close, losses of nearly a point were appearing but in the absence of the usual 3.30 announcement of a "tap" stock these were finally reduced to ¾ and occasionally more. The pattern in the shorts was similar with the price swing limited to a point. After-hours' trading ceased on the late surprise news of a £750m. issue of Treasury 1997 stock to be issued at 94½ and on the record coupon rate of 13¼ per cent.

Institutional and other buying led to a more positive recovery in the investment dollar market and the premium rallied to 91½ per cent. before closing a net 1½ points higher at 90½ per cent. Yesterday's SE conversion factor was 0.6214 (0.6170).

Home Banks down

After improving at the outset, Home Banks retreated to close at the day's worst: the possibility of a "rights" offer being announced when the interim dividend season gets under way later this month remained a drag on sentiment. **National Westminster**, 215p, after 231p, and **Midland**, 245p, after 250p, both finished 10 down, while **Barclays** were finally 5 off at 255p, after 266p. **Lloyds** closed unaltered at 205p, after 216p, leaving a fall of 18 on the week. Discount Houses turned easier in sympathy with the reaction in gilt-edged, with **Allen Harvey and Ross** losing 20 to 290p. Merchant Banks tended easier, but **Manson Finance Trust** responded to the increased profit with a gain of 2 at 27p.



After starting firmly, Insurances declined with the general trend. "**Royals**," 288p, after 296p, and **Phoenix**, 200p, relinquished 6 apiece.

In contrast to the general trend, Breweries provided a couple of bright spots, **Greene King** improving 6 to 158p in response to the results, and **J. W. Cameron** gaining 7 to 122p on hopes of early news of the company's talks with Ellerman Lines.

Buildings failed to draw encouragement from the omission by the Chancellor of any reference to public spending cuts and joined in the general downturn. **Associated Portland Cement** fell 7 to 136p, while **SGB**, 85p, and **Taylor Woodrow**, 286p, lost 5 apiece, **International Timber**, still reflecting disappointing results, shed 4 more at 78p for a loss on the week of 14. **London Brick** receded 3 to 47p.

ICI finished 7 off at 286p, but sustained a loss of only 2 on the week.

Stores on offer

Stores were under selling pressure throughout the day on fears that the Government's economic package will result in erosion of profit margins. Prices closed at, or near, the day's lowest. **British Home Stores** were outstanding at 285p, down 19, while losses of 7 were suffered by **UDS**, 78p, and **Marks and Spencer**, 193p; the last-mentioned will be quoted ex the 100 per cent. scrip issue on Monday. **Boots** reacted 13 to 194p, while **House of Fraser**, 73p, and **Debenhams**, 59p, gave up 5 and 8 respectively.

Among secondary issues, **Wearwell** shed 3 to 35p on further consideration of the preliminary statement. **Vantona**, however, provided a good feature at 50p, up 8, in response to the offer terms from **Spirella**, which ended 3 cheaper at 41p.

Electrical leaders saw a little more trade than of late, but prices retreated after a firm start to close with net falls to 10, as in **Thorn Electrical**, 156p. **EMI** were finally 8 down at 177p, after touching extremes of 187p and 174p. **BICC** cheapened 7 to 118p, while **GEC** finished 3 off at 126p, after 132p.

Several Engineerings were none too happy at the close including **Tube Investments**, 8 down at 254p, **GKN**, 7 lower at 224p, and **Hawker** which shed 6 to 286p. Despite the chairman's confidence about short-term liquidity, **John Brown** slipped 3 to 55p. Other notable losses took in **APV**, 198p, and **GHP**, 90p, both with falls of 7, while **Babcock and Wilcox** were sold rather freely and closed 3 off at 98p.

Foods made a poor showing. **Tate and Lyle** declined 6 to 226p, while **Spillers**, 36p, and **J. Sainsbury**, 145p, shed 2 apiece. Losses of around 3 were sustained by **Cavenham**, 129p, and **Fitch Lovell**, 52p, while **Unigate** closed 2½ easier at 41p. **Associated British Foods** failed to draw strength from the chairman's remarks at the annual meeting, finishing a shade easier at 37½p.

After initially improving, miscellaneous Industrial leaders suffered a sharp reverse and closed with net losses ranging to 12. **Unilever** ended that amount down at 374p, after 372p, while **Reed International** finished 10 cheaper at 210p, after 207p. **Glaxo** lost 9 at 349p, after 358p, and **Beecham** 8 at 283p, after 297p. **Metal Box** were quoted ex "rights" at 230p, down 9½, with the new nil-paid at 20p premium. After Thursday's loss of 5 on the chairman's bearish statement, **National Carbonising** were further unsettled by adverse Press comment and ended 4 cheaper at 44p, after 42p. **J. Coral**, 99p, gave up 4 of the previous day's rise of 6 which followed the half-year profits advance, while **Feedex**, after an initial gain to 44p on the one-for-one "rights" offer at 10p, came back to 39p for a net loss of 2. **Peerage of Birmingham** lost 3 to 14p. **Glass and Metal** were a firm exception at 39p, up 3, helped by the half-year results, and **Crosby Spring** put on 1 to 15p on the chairman's statement.

Motors spent another quiet and easier session. **Dunlop** shed a penny to 47p, while **Lucas Industries** lost 2 to 117p. Falls of 3 were sustained by **Associated Engineering**, 49p, and **Plaxton's**, 64p. **British Leyland**, however, hardened ½ to 9¾p on hopes that shareholders may squeeze a better deal out of the Government than the proposed 10p a share compensation.

Daily Mail "A," on further consideration of the increased profits, gained 3 more to 168p, after 170p. **Thomson**, however, lost 3 further to 177p and **Associated** eased 2 to 94p.

Leading Properties continued to suffer from a lack of buying interest and receded further to finish with losses to 4, as in **Land Securities**, 180p, and **MEPC**, 111p. Declines of about 2½ were recorded in **Amalgamated Investment**, 27½p, **English Property**, 56½p, and **Town and City Properties**, 20p. Secondary issues also tended to close a little softer. **Stock Conversion** stood out with a loss of 7 at 132p, while **A. and J. Mucklow** receded 10 to 120p in a thin market. After the previous day's loss of 4 on the poor interim results, **Samuel Properties** rallied to 22p before ending just a fraction better on the day at 20½p. Dealings in **Lane Fox**, 20p, were temporarily suspended yesterday at the company's request due to the company's inability to meet its commitments.

Oils reactionary

Recent hopes of an easing in Middle East tension tended to wane a little and subsequent end-Account profit-taking brought about a reaction in Oils. **British Petroleum** slipped to 525p before steadying to close a net 8 lower at 530p, but **Shell** finished near the day's lowest at 308p, down 7. **Ultramar** rallied from 186p to end 4 lower on balance at 190p, while **Berry Wiggins** met with end-Account stock and lost 5 to 78p, despite the financing offer from a large U.S. bank.

Overseas Traders closed on an easier note, but **Ocean Wilsons** were a penny better at 90p on the chairman's statement with the full report. **Inchcape**, with results due July 24, declined 6 to 377p.

Small falls were commonplace in Trusts and Financials. **Dalgety** were exceptionally dull at 215p, down 13. **London Australian and General**, however, closed a fraction harder at 38½p following the agreed bid from **Lonrho**.

The leaders bore the brunt of the downturn in Textiles where **Courtaulds** fell 5 to 118p and **Coats Patons** 2 to 40½p.

Bats followed other front-line equities, losing 11 to 312p; after 310p, but, influenced by comment on the first-half results, **Imps** fluctuated between 68½p and 65p before reverting to the overnight level of 67p.

Plantations had **Consolidated Tea and Land** 20 up at a 1975 peak of 220p. **Assam Dooars** hardened 2 to 90p in response to Press comment.

Golds ease

Gold shares ended the day with a majority of losses on balance. Prices were initially a shade easier reflecting the overnight trend of their U.S. counterparts and the lower investment premium. The latter subsequently rallied and the sympathetic recovery in share prices was given weight by a higher afternoon fixing of bullion.

The latter ended the day $1½ up at $165½ per ounce, but the Gold Mines index was still 4.3 off at 367.8 making a fall of 14.6 over the week.

Venterspost gave up 60 at 900p, **Loraine** were 20 lower at 370p and **Western Areas** eased 15 to 575p. On the other hand, "**Saliies**" (330p) and **Grootvlei** (280p) both added 10.

Financials were likewise showing more falls than gains. Profit-taking took 10 from **New Wits** at 290p and **Anglo American** gave up 5 at 470p. **De Beers**, however, put on 5 more at 317p on further consideration of the better than expected half-year diamond sales figure.

Although quiet, Platinums generally edged higher reflecting modest Cape interest although **Potgietersrust** eased 3 to 230p. Coppers gave ground with **Palabora** losing 20 to 970p.

The feature of the Australian sector was **Pancontinental** which touched a year's high of 320p before ending the day 30 to the good at 310p; the shares have risen 110p over the week following the latest gold and uranium values from its Jabiluka prospect. **Ocean Resources** were 3 off at 23p, having risen from 7p reflecting the company's 50 per cent. interest in a uranium prospect in the Northern Territory.

Tins eased, especially the **London Tin** companies with the parent being 7 down at 163p. The latest political developments in Portugal took 3½ from **Beralt** at 10½p.

FINANCIAL TIMES STOCK INDICES

—	July 11	July 10	July 9	July 8	July 7	July 4	A year ago
Government Secs.	60.13	60.52	59.92	59.55	59.28	59.33	56.20
Fixed Interest	60.11	59.64	59.36	58.70	58.63	58.64	55.02
Industrial Ordinary	313.6	324.4	327.6	326.4	317.7	323.3	258.7
Gold Mines	367.8	372.1	380.8	376.6	381.0	382.4	337.1
Ord. Div. Yld. %	6.46	6.25	6.20	6.22	6.39	6.28	7.69
Earnings Yld. % (full) (a)	19.09	18.49	18.34	18.40	18.90	18.57	20.34
P/E Ratio (net) (a) (b)	7.49	7.73	7.80	7.77	7.57	7.70	6.88
Dealings marked	6,081	5,865	5,117	4,792	4,923	6,175	6,384
Equity turnover £m.	—	53.17	69.06	54.28	34.70	*49.38	33.23
Equity bargains total	—	13,789	14,689	12,697	11,651	*12,808	8,468

10 a.m. 325.6 11 a.m. 323.2 Noon 320.5 1 p.m. 320.4
2 p.m. 318.4 3 p.m. 316.6.
Latest index 01-246 8026.

(a) Based on 52 per cent. corporation tax. (b) Nil = 7.45.
Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. S.E. Activity July-Dec. 1942. * Corrected.

HIGHS AND LOWS

—	1975 High	1975 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	62.54 (20/5)	49.18 (3/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	62.51 (21/5)	50.53 (6/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	365.5 (5/6)	146.0 (6/1)	543.6 (19/5/72)	49.4 (26/6/40)
Gold Mines	442.3 (22/6)	280.2 (29/1)	442.3 (22/6/75)	43.5 (26/10/71)

S.E. ACTIVITY

—	July 11	July 10
Daily—		
Gilt-Edged	157.8	176.3
Industrials	165.7	196.4
Speculative	38.6	49.7
Totals	115.6	133.5
5-day Av'rge		
Gilt-Edged	178.9	185.2
Industrials	166.7	168.6
Speculative	43.1	45.4
Totals	117.3	117.8

FT—ACTUARIES INDICES

	July 10	July 9	July 8	July 7	July 4	July 3	A year ago
Industrial Group	129.49	131.95	129.18	127.89	129.09	126.57	100.06
500 Shares	142.96	145.40	142.69	140.70	142.41	138.21	107.86
Div. Yield per cent	6.20	6.10	6.21	6.30	6.22	6.41	7.56
P/E Ratio (net)	7.06	7.18	7.05	6.94	7.02	6.84	6.46
All Share	139.76	142.13	139.52	137.71	139.23	135.35	105.81
Consols yield per cent	13.91	14.10	14.00	14.29	14.28	14.48	14.96

F.T.—ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, The Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS

GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section.

		Fri. July 11, 1975 Index No.	Day's Change %	Est. Earnings Yield % (Max.) (Corp. Tax 52%)	Gross Div. Yield % (ACT at 35%)	Est. P/E Ratio (net) (Corp. Tax 52%)	Est. P/E Ratio (nil) (Corp. Tax 52%)	Thurs. July 10 Index No.	Wed. July 9 Index No.	Tuesday July 8 Index No.	Monday July 7 Index No.	Year ago (approx.) Index No.	1975 High	1975 Low	Since Compilation High	Since Compilation Low
1	CAPITAL GOODS (180)	117.47	1.5	20.17	6.85	7.41	7.40	119.21	121.01	118.73	117.68	91.10	131.26	51.78	206.37	15.70
2	Building Materials (30)	99.51	2.0	19.47	7.91	7.93	7.93	101.59	103.92	102.44	101.48	92.65	117.40	45.11	234.84	44.27
3	Contracting, Construction (23)	215.54	2.4	16.63	4.28	9.05	9.05	220.88	223.65	218.55	217.97	150.37	251.61	74.74	389.35	71.48
4	Electricals (16)	222.61	1.0	15.74	5.19	7.91	7.90	224.86	228.60	222.42	219.77	166.13	254.64	98.48	350.04	84.71
5	Engineering (Heavy) (13)	138.14	1.8	25.33	7.68	6.01	6.01	140.64	142.50	139.60	138.59	104.09	159.79	64.39	202.57	64.39
6	Engineering (General) (65)	101.49	1.2	21.55	8.01	6.82	6.82	102.72	103.95	102.36	101.63	74.66	117.40	45.43	168.59	45.43
7	Machine and Other Tools (10)	41.56	1.2	19.68	8.71	7.68	7.68	42.07	42.11	41.67	41.49	33.46	48.98	20.11	136.70	19.96
8	Miscellaneous (23)	107.05	1.2	22.91	7.51	6.52	6.52	108.39	109.32	108.03	107.83	82.22	121.76	49.65	177.41	49.65
9	CONSUMER GOODS (DURABLE) (58)	85.24	—1.4	20.61	7.16	7.24	7.22	86.44	87.59	85.71	86.09	77.08	93.15	38.39	227.78	38.39
10	Electronics, Radio TV etc. (15)	97.88	—2.3	20.51	6.32	7.11	7.10	100.20	102.15	100.32	99.09	91.01	106.34	44.28	257.41	42.65
11	Household Goods (15)	151.74	—0.4	31.77	7.81	4.60	4.60	152.21	152.10	128.08	128.03	121.12	146.90	64.53	265.22	63.92
12	Motors and Distributors (28)	46.32	—0.4	15.94	9.59	9.98	9.91	46.53	47.15	45.78	45.81	39.69	50.91	19.91	170.59	19.91
13	CONSUMER GOODS (NON-DURABLE) (166)	129.25	1.8	15.63	6.44	9.15	9.11	131.67	134.79	132.09	130.85	98.69	146.45	61.98	226.08	61.41
14	Breweries (16)	152.04	—	13.17	6.61	11.44	11.44	152.10	157.12	153.59	150.70	107.38	163.83	75.58	281.87	69.47
15	Wines and Spirits (8)	172.28	0.3	13.07	6.45	11.28	11.28	172.82	177.94	174.53	170.62	125.60	177.94	80.42	257.40	78.88
16	Entertainment, Catering (16)	146.73	—2.2	15.11	7.58	9.87	9.87	150.06	153.98	150.37	148.43	105.30	158.44	55.28	329.99	54.83
17	Food Manufacturing (22)	140.55	—2.6	14.75	5.62	9.52	9.28	144.12	146.20	143.63	142.61	101.09	156.57	62.03	211.65	59.77
18	Food Retailing (16)	123.24	—2.1	12.87	5.21	11.32	11.32	125.95	129.32	125.30	124.50	90.22	149.17	57.15	235.08	54.25
19	Newspapers, Publishing (15)	133.00	+0.1	16.00	7.32	9.46	9.46	132.88	132.35	130.12	129.92	115.99	152.14	55.08	260.29	55.08
20	Packaging and Paper (13)	88.76	—2.5	24.87	8.29	5.90	5.90	91.07	92.99	91.65	91.91	72.38	107.12	43.46	135.69	43.46
21	Stores (30)	104.41	—2.9	13.65	6.21	11.06	11.06	107.53	110.81	108.31	108.05	84.15	132.94	52.63	204.89	52.63
22	Textiles (21)	130.61	—2.6	26.30	8.07	4.47	4.37	134.03	138.94	135.66	133.69	115.50	145.07	62.91	253.72	62.66
23	Tobacco (3)	191.24	—0.8	17.32	6.87	8.59	8.59	192.75	194.78	192.64	190.13	137.88	199.16	109.92	359.16	94.34
24	Toys and Games (6)	41.86	—0.5	31.27	8.65	4.39	4.39	42.06	41.51	40.49	39.98	35.78	44.08	20.92	135.72	20.92
	OTHER GROUPS (92)															
25	Chemicals (24)	167.68	—1.7	20.78	5.40	6.69	6.69	170.51	172.19	168.56	165.87	124.35	189.17	73.14	201.93	71.20
26	Office Equipment (10)	84.48	—2.4	17.16	6.28	7.87	7.87	86.56	88.29	86.26	86.77	87.24	104.78	45.34	246.06	45.34
27	Shipping (12)	345.66	—0.7	24.77	6.95	5.20	5.05	348.16	358.23	344.43	336.88	302.51	401.84	194.48	517.00	90.80
28	Miscellaneous (46)	133.68	—2.3	20.22	7.39	7.22	7.22	136.81	139.11	135.86	134.12	111.44	153.58	60.39	258.83	60.39
29	INDUSTRIAL GROUP (496)	127.24	—1.7	18.22	6.50	7.93	7.91	129.49	131.95	129.18	127.89	100.06	143.43	59.19	230.17	59.01
30	OILS (4)	286.33	—1.8	23.70	5.30	4.17	3.89	291.64	293.63	291.82	281.58	191.64	296.47	105.23	451.66	87.23
31	500 SHARE INDEX	140.47	—1.7	19.40	6.31	6.95	6.80	142.96	145.40	142.69	140.70	107.86	156.14	63.49	227.95	63.49
32	FINANCIAL GROUP (100)	126.83	—1.0	—	5.69	—	—	128.07	130.85	128.37	126.64	101.57	148.45	56.50	241.41	55.88
33	Banks (6)	141.35	—2.3	26.28	5.57	5.67	5.67	144.62	146.11	149.67	147.11	130.59	177.11	62.56	288.32	62.44
34	Discount Houses (9)	147.80	—2.5		8.19	—	—	151.66	149.21	148.36	145.64	118.44	169.27	84.13	393.13	81.40
35	Hire Purchase (5)	87.64	—0.2	28.48	10.54	4.67	4.28	87.82	90.23	81.94	85.76	165.52	134.39	42.81	433.72	38.83
36	Insurance (Life) (9)	110.47	—0.6	—	6.20	—	—	111.16	115.19	110.95	109.37	81.85	137.97	44.88	194.46	44.88
37	Insurance (Composite) (7)	103.72	—0.5	—	6.37		—	103.20	105.72	101.72	99.71	72.60	128.90	44.47	156.76	43.96
38	Insurance (Brokers) (8)	200.65	—0.4	10.14	4.22	14.66	14.66	201.45	201.19	195.45	191.62	130.53	211.50	66.86	262.57	65.86
39	Merchant Banks (19)	83.09	—1.0		7.58			82.93	84.71	82.69	81.68	82.85	94.97	31.21	278.57	31.21
40	Property (32)	174.11	—1.5	4.43	3.50	33.14	31.97	176.69	182.61	176.49	176.59	122.43	241.22	88.19	397.40	56.01
41	Miscellaneous (5)	72.05	—1.4	15.71	9.21	9.38	9.39	73.08	72.40	70.50	71.00	73.48	75.78	34.78	303.15	33.39
42	Investment Trusts (50)	156.73	—1.1	3.23	4.43	30.91	30.91	158.53	158.75	156.69	156.69	106.90	178.63	73.45	245.79	71.63
43	ALL-SHARE INDEX (650)	137.56	—1.6	—	6.08	—	—	139.76	142.13	139.52	137.71	105.81	154.09	62.16	220.18	61.92
	COMMODITY GROUPS (Not included in 500 or All-Share indices)															
44	Rubbers (10)	425.56	—2.6	13.33	7.73	10.89	10.81	437.01	437.04	452.81	429.30	315.89	525.43	281.66	555.37	86.68
45	Teas (10)	104.10	+2.0	38.85	9.88	4.00	3.82	102.03	101.95	101.31	101.31	68.91	104.10	76.76	121.47	59.72
46	Coppers (3)	375.66	0.8	52.27	20.10	1.91	1.91	378.83	383.91	381.99	390.39	373.04	467.74	374.38	567.78	94.08
47	Mining Finance (11)	129.36	0.5	9.44	4.09	11.60	11.57	130.02	131.31	130.82	132.33	90.75	141.34	80.58	175.90	66.51
48	Tins (8)	93.33	4.0	10.93	8.63	11.79	10.13	97.19	97.19	97.43	92.55	72.55	114.49	58.91	125.43	54.85
49	Overseas Traders (13)	217.29	—1.0	16.13	4.15	7.88	7.86	219.55	223.83	231.05	219.96	—	252.25	97.37	252.25	97.37

FIXED INTEREST

		Friday, July 11 Index No.	Yield %	Thurs. July 10	Wed. July 9	Tuesday July 8	Monday July 7	Friday July 4	Thurs. July 3	Wed. July 2	Year ago	1975 High	1975 Low	Since compilation
1	Consols 2½% yield		14 01	13.91	14.10	14 00	14 29	14.28	14 48	14 43	14 96			
2	20-yr. Govt. Stocks (6)	49 68	15.09	50 16	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3	20-yr. Red. Deb. & Loans (15)	47.46	15.53	46 99	46 76	46.45	46.42	46.51	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4	Investment Trusts Prefs. (15)	44 78	15.47	43 95	43.95	43 95	43.95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5	Coml. and Indl. Prefs. (20)	64.50	14.66	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Section or Group	Base Date	Base Value	Section or Group	Base Date	Base Value
Overseas Traders	31 12 74	100.00	Miscellaneous Financial	31-12-70	128.06
Engineering (Heavy)	31 12/71	153.84	Food Manufacturing	29-12-67	114.13
Engineering (General)	31 12 71	153.84	Food Retailing	29-12-67	114.13
Wines and Spirits	16 1 70	152.76	Insurance Brokers	29 12 67	96.67
Toys and Games	16 1 70	135.72	Mining Finance	29-12-67	100.00
Office Equipment	16 1 70	153.74	All Other	10 4 62	100.00
Industrial Group	31 12 70	128.20	† Redemption yield		

Calculated by Extel Communications Limited in member of the Exchange Telegraph Group) on an IBM 370 computer. A list of the constituents of the FT-Actuaries Share indices is now available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 13p, by inland post 18p. Commonwealth 15p. Foreign 22p.

MONEY + EXCHANGES

Slight fall in bill rate

Bank of England Minimum Lending Rate 10%
(Since May 2, 1975)

The Treasury bill rate fell slightly at yesterday's tender, by 0.0053 per cent. to 9.4767 per cent. Day-to-day credit was in short supply, and the authorities gave assistance on a small scale, by buying Treasury bills from the Discount houses. In the earlier part of the day, a substantially greater shortage than that suggested by the official help had been expected in many quarters. Discount houses bid 9 per cent. or so for secured call loans in the earlier part, but found later balances at 6-7¼ per cent.

At the Treasury bill tender, the minimum-accepted bid was unchanged, at £97.63½, and bids at this level were met as to about 39 per cent. The £300m. bills tendered and allotted attracted bids of £619.7m.—more than for the record £350m. bills offered two weeks earlier. All bills offered were allotted, while next week a further £300m. will be on tender.

The Bank of England bought a small amount of Treasury bills from the Discount houses, to meet a shortage of day-to-day funds, with gilt-edged stock settlements acting, among a variety of factors, against the market's favour.

July 11 1975	Sterling Certificates of deposits	Interbank	Local Authority deposit*	Local Auth. negotiable bonds	Finance house deposit	Company deposits	Discount market deposits	Treasury bills ⊕	Bank bills ⊕	Fine trade bills ⊕
Overnight	—	7.9	—	—	—	9¾	6.9	—	—	—
2 days notice	—	—	8¾-8⅞	—	—	—	—	—	—	—
7 days or 7 days notice	—	8⅞-9¼	8⅞-9⅛	—	—	—	9-9¼	—	—	—
One month	[illegible]	[illegible]	9-9¼	10-9⅛	10¼	—	9-9⅛	[illegible]	[illegible]	9¾-10¾
Two months	[illegible]	[illegible]		10-9½	10½	—	[illegible]	[illegible]	[illegible]	10-10¾
Three months	[illegible]	[illegible]	[illegible]	10-9⅞	10¾-11	—	[illegible]	[illegible]	[illegible]	10-10¾
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	[illegible]	—	[illegible]	[illegible]
Nine months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	—	—
One year	10-10	10½-10¼	—	11½	11¼-10⅝	—	—	—	—	—
Two years	12½-11⅞	—	12⅝-12¾	—	—	—	—	—	—	—

* Local Authority and finance houses seven days' notice, others seven days' fixed. *Long-term local authority mortgage rate nominally three years 13¼-13½ per cent.; four years 13½-14 per cent.; five years 14-14½ per cent. ⊕ Bank bill rates in table are buying rates for prime paper; buying rates four-month bank bills 9¾-10 per cent. and four-month trade bills 10½-11 per cent. Approximate selling rates for one-month Treasury bills 9¼-9⁵⁄₁₆ per cent.; two-month [illegible] per cent.; three-month 9¹³⁄₃₂-9½ per cent. Approximate selling rates for one-month bank bills 9⁵⁄₁₆-9⁷⁄₁₆ per cent.; two-month [illegible] per cent.; and three-month 9½-9⁹⁄₁₆ per cent.; for one-month trade bills 9¾-10 per cent.; two-month 9¾-10¼ per cent.; and three-month [illegible] per cent.

Finance House Base Rate (published by the Finance Houses Association): 10½ per cent. from May 1. Clearing Bank Deposit Rates for small sums at seven days' notice 6½ per cent. Clearing Banks Base Rates for lending 9½ per cent. Treasury Bills: Average tender rate of discount 9.4767 per cent.

EXCHANGES AND BULLION

Sterling continued its improvement against major currencies as a whole in the foreign exchange market yesterday, with its trade-weighted average depreciation against ten currencies since the Washington Currency Agreement of December, 1971 (as calculated by the Bank of England) narrowing on balance to 26.9 per cent., from 27.1 per cent. the previous evening, and standing at 26.9 per cent. in early dealings and at noon. A fair business was seen, with the pound gaining a marginal amount in terms of the U.S. dollar, rising 5 points on the day to $2.2000-2.2010. The three-month forward pound was 4 points easier, at 140.5c.

Gold rose $1½ an ounce on balance in moderate business in London—opening at $163¾-164¼, and trending upwards over the day. The domestic delivery Krugerrand ended at the previous £81-82. In spite of the improvement in the gold bullion prices.

The U.S. dollar's trade-weighted average depreciation against 14 currencies since the Washington Agreement narrowed to 4.89 per cent., from the overnight 5.06 per cent., while sterling's depreciation on a similar basis narrowed to 32.84 per cent., from 33.23 per cent., and the French franc's appreciation widened to 6.22 per cent., from 6.05 per cent.

EXCHANGE CROSS-RATES

July 11	Frankfurt	New York	Paris	Brussels	London	Amsterdam	Zurich
Frankf't		2.430-432	58.40-.60	6.35.40	5.33-.366	96.74-94	94.40-.60
N. York	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]
London	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	

U.S. $ in Montreal, U.S. $=[illegible] Canadian cents.
Canadian $ in New York [illegible] U.S. cents, U.S. $ in Milan 645.15.
Sterling in Milan 1416.25.

EURO-CURRENCY INTEREST RATES*

[illegible]

FORWARD RATES

	One month	Three months
New York	0.50-0.40 c.pm	[illegible]
Montreal	0.50-0.40 c.pm	[illegible]
Amst'dam	[illegible]	[illegible]
Brussels	[illegible]	[illegible]
Cop'h'gn	[illegible]	[illegible]
Frankfurt	[illegible]	[illegible]
Lisbon	[illegible]	[illegible]
Milan	[illegible]	[illegible]
Oslo	[illegible]	[illegible]
Paris	[illegible]	[illegible]
Stockholm	[illegible]	[illegible]
Vienna	[illegible]	[illegible]
Zurich	[illegible]	[illegible]

Six-month forward dollar [illegible] pm, and 12-month [illegible] pm.

OTHER MARKETS

Argentina	467.10-[illegible]	[illegible]	[illegible]
Australia	1.6[illegible]	[illegible]	[illegible]
Brazil	17.[illegible]	[illegible]	[illegible]
Finland	7.[illegible]	[illegible]	[illegible]
Greece	67.1[illegible]	[illegible]	[illegible]
H'ngKong	10.[illegible]	[illegible]	[illegible]
Iran	[illegible]	[illegible]	[illegible]
Kuwait	0.6[illegible]	[illegible]	[illegible]
Luxemb'g	79.[illegible]	[illegible]	[illegible]
Malaysia	5.2[illegible]	[illegible]	[illegible]
N. Zealand	1.6[illegible]	[illegible]	[illegible]
Saudi Arabia	7.[illegible]	[illegible]	[illegible]
Singapore	5.1[illegible]	[illegible]	[illegible]
S. Africa	[illegible]	[illegible]	[illegible]
U.S.	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]

Rate given for Argentina is free rate. * Based on rates quoted by specialist dealers.

FOREIGN EXCHANGES

[illegible]

BASE LENDING RATES

AP1 International	9½%
Allied Irish Banks Ltd.	9½%
Anglo-Portuguese Bank	10 %
Henry Ansbacher	10½%
Banco de Bilbao	9½%
Banco de Jerez	10½%
Bank of Cyprus	‡10 %
Banque du Rhone S.A.	10 %
Barclays Bank	9½%
Barnett, Christie Ltd.	11 %
Bremar Holdings Ltd.	10½%
Brit. Bank of Mid. East	9½%
■ Brown Shipley	10½%
Cayzer, Bowater Co. Ltd.	10½%
Cedar Holdings	10 %
■ Charterhouse Japhet	10½%
C. E. Coates	10½%
Consolidated Credits	12 %
Continental Trade Bk.	9½%
Co-operative Bank	* 9½%
Copleys Bank	11½%
Corinthian Securities	9½%
Credit Lyonnais	9½%
G. R. Dawes	10½%
Duboff Brothers	11½%
Duncan Lawrie	10½%
English Transcont.	11½%
First London Secs.	9½%
■ Antony Gibbs	10 %
Goode Durrant Trust	10 %
Greyhound Guaranty	9½%
Grindlays Bank	10 %
■ Guinness Mahon	9½%
■ Hambros Bank	9½%
Hawtin & Partners	13 %
■ Hill Samuel	§10 %
C. Hoare & Co.	† 9½%
Julian S. Hodge	10½%
Industrial Bank of Scot.	9½%
Jacobs, Kroll	11½%
Keyser Ullmann	10½%
Kinghurst Securities	12 %
Knowsley & Co. Ltd.	11½%
Lloyds Bank	9½%
London & European	11½%
London Mercantile	11½%
Midland Bank	9½%
■ Samuel Montagu	9½%
■ Morgan Grenfell	9½%
National Westminster	9½%
Northern Comm. Trust	10½%
Norwich General Trust	10 %
Portman Guaranty	11 %
P. S. Refson & Co.	9½%
Rossminster Accept'cs.	9½%
Royal Trust of Canada	10½%
Schlesinger Limited	10½%
E. S. Schwab	11½%
Security Trust Co. Ltd.	11 %
Shenley Trust	11½%
Standard & Chartered	9½%
Sterling Credit	12 %
Stewart Salmon & Co.	9½%
Thames Guaranty	11 %
Trade Development Bk.	9½%
Twentieth Century Bk.	11½%
United Bank of Kuwait	9½%
Wallace Brothers Bank	10½%
Whiteaway Laidlaw	10 %
Williams and Glyn's	9½%
Yorkshire Bank	9½%

■ Members of the Accepting Houses Committee.
* 7-day deposits 6½%, 1-month deposit 6½%.
† 7-day deposits on sums of £10,000 and under 6½%, up to £25,000 6¾% and over £25,000 7½%.
‡ Deposit Base Rate 8½%.
§ Demand deposit 7½%.

CORAL INDEX
Close 309-314

I.G. INDEX
GOLD 163¼-164¼

INSURANCE BASE RATES

† Atlantic Assurance	11½%
Cannon Assurance	11 %

† Address shown under Insurance and Property Bond table.

GOLD MARKET

	July 11	July 10
Gold Bullion (fine ounce)		
Close	$165-166	$163¾-164¼
Opening	$163¾-164¼	$163¾-164¼
Morning fixing	$163.50 (£74.035)	$164.20 (£74.797)
Afternoon fixing	$165.25 (£75.051)	$163.25 (£74.164)
Gold coins, domestically		
Krugerrand	[illegible]	[illegible]
New Sovereigns	[illegible]	[illegible]
Old Sovereigns	[illegible]	[illegible]
Gold coins, internationally		
Krugerrand	$170-172	$168½-170½
New Sovereigns	[illegible]	[illegible]
Old Sovereigns	[illegible]	[illegible]
$20 Eagles	$220-223	[illegible]
$10 Eagles	$120-124	$116-120
$5 Eagles	$84-86	$85-90

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AUTHORISED UNIT TRUSTS

[illegible]

The British Life Office Ltd.♥ (a)
Reliance Hse., Tunbridge Wells, Kt. 0892 22271

BL British Life	37.0	38.6	−0.6	5.60
BL Balanced*	28.3	30.8	.....	4.98
BL Capital*	29.7	31.4	.....	5.63
BL Dividend*	25.9	27.4	.....	10.12

*Prices on July 9. Next dealing July 16.

G. & A. Un. Tst. Mgrs. Ltd.♥ (a)(b)
5, Rayleigh Rd., Brentwood. (0277) 227300

G. & A.	22.1	23.6	−0.2	5.53

Gartmore Fund Managers♥
2, St. Mary Axe, EC3A 8BP. 01-283 3531

British Trust	33.5	35.9	−0.3	4.56
High Income Tst.	28.1	30.2	−0.1	12.17
(z)Overseas Tst.	25.4	27.3	+0.1	1.63

REGIONAL MARKETS

Following the merger last year of U.K. stock exchanges, a selection of the share prices previously shown under regional headings is presented below with quotations on London. Irish issues, most of which are not officially listed in London, are shown separately and with prices as on the Irish exchange.

Albany Inv. 20p	14	.....	Gardner (L.)	60	.....	Shiloh Spinn.	22	.....
Ash Spinning	37	.....	Graig Ship. £1	430	.....	Sindall (Wm.)	45	.....
Bertam	18	.....	Hallam Sleigh 10p	8	.....			
Brady (G.) 'A'	47	.....	Higsons Brew.	63	.....	**IRISH**		
Bdg'wtr. Est. 50p	£125	.....	I.O.M. Stm. £1	120	.....			
Clover Croft	35	.....	Holt (Jos.) 25p	180	.....			
Craig & Rose £1	310	.....	Kleen-e-Ze	24	−1	Alliance Gas (£1)	50	.....
Dundee Ice £1	298	.....	Lovell's Ship £1	125	.....	Carroll (P. J.)	109	.....
Dyson (R.A.)	30	.....	N'thn. Goldsmith	82	.....	Clondalkin	49	.....
Ellis & McHdy.	57	.....	P.M.A.	35	.....	Concrete Prods.	55	.....
Evans Fr'k. 10p.	36	.....	Pearce (C. H.)	68	.....	Goodbody (£1)	[illegible]	.....
Evered	16	.....	Peel Mills	16	.....	Helton (Hldgs.)	[illegible]	.....
Fife Forge	47	.....	Richards 10p	8	.....	Irish Distillers	[illegible]	.....
Finlay Pkg. 5p	16	.....	RobbCaledon5p	30	−2	Irish Wire	40	.....
Frost & Reed 5p	88	.....	Sayers 12½p	7	.....	Jacob	58	.....
Gardiner & Sons	11½	.....	Sheffield Brick	62	−1	Sunbeam	11	.....
			Sheff. Refrshmt.	145	.....	Unidare	64	.....

NEW AIRCRAFT FOR SCOTLAND

British Airways have taken delivery of the first of two new Hawker Siddeley 748 airliners ordered for the airline's internal Scottish routes.

The 748 will replace Viscounts next month on the Aberdeen-Sumburgh (Shetland) and Aberdeen-Glasgow routes.

TRAWLER FIRE DEATHS PROBE

The Department of Trade has appointed an Inspector to hold an inquiry into the fire on July 8 on the trawler Granton Harrier which resulted in the deaths of four members of the crew.

The inquiry is to be carried out under section 465 of the Merchant Shipping Act, 1894.

INSURANCE, PROPERTY, BONDS

[illegible]

OFFSHORE AND OVERSEAS FUNDS

[illegible]

United States Tst. Intl. Adv. Co.
14, Rue Aldringer, Luxembourg.

U.S. Trust Inv. Fnd.	US$13.03		−0.04	0.92

Net asset value July 10.

S. G. Warburg & Co. Ltd.
30, Gresham Street, EC2. 01-600 4555

CMT Ltd. June 26	£10.61	10.88	.....	—
Inv. Bond July 10	US$8.36		+0.05	—
Energy Int. July 10	US$13.19		+0.04	—
Grsh. St. $F Jn 30	US$7.52		.....	—
TMT Ltd. June 12	£11.46	11.76	.....	—

World Wide Growth Management♦
10a, Boulevard Royal, Luxembourg.

World Wide Gth. Fd.	US$12.29	.....	—

NOTES

Prices do not include $ premium, where applicable, and are in pence unless otherwise indicated. Yields allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Distribution free of U.K. taxes. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♥ Net of tax on realised capital gains unless indicated by ♦. § Guernsey yield. ‡ Suspended. ★ Single premium insurance bonds.

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

INTERNATIONAL BANK

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS (Miscel.)

FOREIGN BONDS & RAILS

U.S. $ DM Prices exclude inv. $ premium

AMERICANS

S.E. List Premium 61¼% (based on $2.2030 per £)

CANADIANS

S.E. List Premium 61¼% (based on $2.2037 per £)
Conversion factor 0.6214 (0.6178)

BANKS AND HIRE PURCHASE

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER & ROADS

BUILDING INDUSTRY—Continued

CHEMICALS, PLASTICS

CINEMAS, THEATRES AND TV

DRAPERY AND STORES

DRAPERY AND STORES—Continued

ELECTRICAL AND RADIO

ENGINEERING, MACHINE TOOLS

ENGINEERING—Cont.

FOOD, GROCERIES, ETC.

HOTELS & CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

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INDUSTRIALS—Continued | INSURANCE | MOTORS, AIRCRAFT TRADES | NEWSPAPERS, PUBLISHERS | PAPER, PRINTING, ADVERTISING | PROPERTY | SHIPBUILDERS, REPAIRERS | SHIPPING | SHOES AND LEATHER | SOUTH AFRICANS | TEXTILES | TOBACCOS | TRUSTS, FINANCE, LAND | Finance, Land, etc. | OILS | OVERSEAS TRADERS | RUBBERS AND SISALS | TEAS | MINES

TINS

High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
56	32	Amal. Nigeria	49	......	†20.8	1.6	16.3
160	77	Ayer Hitam	123	−7	39.2	1.2	12.3
36	10½	Beralt Tin	10½	−3½	—	—	—
424	268	Berjuntai SM2.5	360	−5	QS12	ϕ	9.7
18	13	Ex Lands 10p	17	......	15	ϕ	13.6
246	202	Geevor	206	−2	†74	2.3	13.8
18	11	Gold & Base 12½p	14	......	6.7	1.6	9.9
288	157	Gopeng Cons.	210	−5	57	ϕ	10.4
73	55	Hongkong	64	−1	—	—	—
58	40	Idris 10p	49	......	67	2.2	21.5
11	7	Janlar 12½p	11	......	—	—	—
68	43	Kamunting 15p	58	......	†40	0.8	15.9
165	140	Killinghall	160	......	48	—	11.5
192	106	London Tin 20p	163	−7	35	1.3	6.6
220	93	Malay Dredging	172	−1	¢43.9	1.6	9.8
49	27	‡Pahang	42	......	[illegible]	1.5	7.7
65	44	Pengkalen 10p	53	......	70	1.0	20.3
97	75	Petaling SM1	97	......	—	—	—
23	8	Saint Piran	13	−1	‡5.3	1.5	‡
135	68	South Kinta (10p)	115	−3	†82.5	0.9	11.0
180	73	Sthn. Malayan	138	−2	¢43.9	1.4	12.2
83	47	Sungei Besi 20p	64	......	30	ϕ	14.4
45	33	Sungei Way SM1	37	−1	2Q10	—	4.7
84	48	Tanjong 15p	57	−1	2²	2.3	11.7
75	52	Tongkah Hbr SM1	52	−1	‡Q30	1.3	‡
95	42	Tronoh	69	−1	16.1	3.5	9.0

COPPER

High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
112	56	Botswana RST P2	88	−2	—	—	—
390	196	Messina R0.50	325	......	‡Q60c	2.9	‡

MISCELLANEOUS

High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
8	3	Burma Mine 17½p	8	......	m0.5	—	1.7
65	17	Charterhall 5p	61	−½	—	—	—
115	75	Colby Mines $1	75#	......	—	—	—
760	360	Cons. Murch. 10c	680xd	......	‡Q130c	2.2	‡
53½	29½	Laurasia	38½	......	—	—	—
19	13	NRD $1	13	......	—	—	—
375	200	Northgate C$1	360	+10	Q65c	1.0	9.4
211	80	R.T.Z.	192	+1	19.9	4.4	4.0
135	47½	Sabina Inds. C$1	78½	−1½	—	—	—
76	51	Stanford Mines $	72	−4	—	—	—
£12½	875	Tara Explo. $1	£10⅞	−⅛	—	—	—
75	38	Yukon Cons C$1	62	+2	—	—	—

NOTES

Unless otherwise indicated, prices are in pence, denominations are 25p and dividends are in net percentage terms. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures: they are adjusted to corporation tax of 52 per cent. and ACT of 35 per cent. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields, assuming maintenance of net dividends on current rate of ACT, are based on middle prices, are gross and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- ▲ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents.
- ϕ Figures or report awaited.
- †† Banks and Insurance: reserve allocations may preclude calculation of dividend cover.
- ø Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ‡ Free of Stamp Duty.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Based on 1973 profits.
- ‖ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ♦ Regional price.
- ‖ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend. P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Issue price. G Assumed dividend and yield after pending scrip and/or rights issue. M Figures based on prospectus or other official estimates for 1973-74. Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

"Recent Issues" and "Rights" Page 17

FINANCIAL TIMES
Saturday July 12 1975

MAN OF THE WEEK

He has faith in Britain

BY DAVID BELL

TO MANY people, weighed down by concern at the state of the British economy, it came as something of a surprise two months ago when SKF launched its bid for Sheffield Twist Drill, the high speed cutting tool company of which it won control this week.

But Mr. Lennart Johansson, the managing director of the Swedish engineering company, does not share the view that Britain is an investment disaster area to be avoided at all costs. Gently, he brushes aside the pessimism: "I cannot be happy about the present situation now, but we have been here since 1911 and in the longer prospect it will come right" he said.

Mr. Johansson knows Britain well, coming here first to help instal new machinery in 1949. Mild mannered and courteous, he is an engineer by training who, like his company, combines a very enlightened attitude to his employees with a single minded dedication to profitability.

Diplomatic

His optimism about Britain may partly be diplomatic and, although he is far too polite to say so, he clearly feels that British industrial relations are a little primitive in comparison with Swedish. But he also believes that it falls to management to correct what is wrong and, as proof that it can be done, SKF has had only one strike in all the years it has been in Britain. Indeed, it was this and the fact that the Swedish company has never made a British employee redundant that swung the Sheffield Twist unions decisively behind the SKF bid.

Mr. Johansson's own philosophy is enshrined in a parable that he is very fond of quoting. The relationship between management and men, he says, "is like a married couple living in a two-room flat with children. They don't love each other, but they can't have a divorce for the sake of the children. They have two options—an endless fight or finding a reasonable way to go on together."

Yet, despite its high reputation as an employer, he concedes that SKF, with sales last year of £700m., has had to fight hard in the last few years in the face of intense Japanese competition in the bearing business. It was this which gave the impetus for the setting up of the company's Global Forecasting and Supply System which each year allocates work to the company's 70 factories on a world-wide basis with each plant specialising in certain lines so as to achieve maximum economies.

In due course Sheffield Twist will be integrated into this system, but not before working groups drawn from all levels in the company have together worked out how best to reorganise it. And the GFSS allocation system itself is not allocation from above, but allocation by a consensus of the factory managers who meet once a quarter in Brussels to decide how the programme is to be planned.

Education

So convinced is SKF of the need for maximum education and understanding that it even runs courses for its workforce in Gothenburg to teach them how to read the company's balance-sheet so that any suspicions or misunderstandings can be cleared up.

The British companies of SKF do not, however, have workers on the Board as in Sweden. Mr. Johansson thinks that, as yet, British unions are not clear precisely how they want to participate, but when they are, SKF will be prepared to accommodate them if it can. "Five years ago Swedish unions did not want to sit on the main Board. Now they are there," he said.

SKF (UK) is only the Swedish company's fifth largest overseas subsidiary, but Mr. Johansson professes great respect for British workmanship. "When I went round the Sheffield Twist plant I liked the feel of it as an engineer. I could sense that it was a good plant and that is why we have paid a high price for it," he said.

Wilson compromise on reserve powers seen as time-bomb

BY JOHN BOURNE, LOBBY EDITOR

SOME LABOUR Left-wingers and Tories believe that Mr. Wilson's statement and the White Paper have probably postponed an immediate confrontation with the Party's Left and the trade unions. But the Government's intention shortly to publish a draft Bill setting out reserve compulsory powers virtually ensures that the legislation will have to be debated before many months are out. They believe Parliament could be recalled during the summer recess.

The Prime Minister's efforts to hold the Party together with what is regarded by some as a "typical Wilson semantic compromise," over reserve powers is a time-bomb which could severely damage the Government if it has to be detonated. As one member of the Tribune Group said: "The Left will have to accept the White Paper or else lose all credibility. We must therefore be cautious. On the other hand if the Government has to move its reserve powers Bill, it will put many of us in an impossible position."

More extreme members of the group believe that compulsory powers are inevitable and that when they come they will completely destroy Labour's chances of winning the next General Election.

The Cabinet's conjuring trick at its five-hour meeting on Thursday appears to have been to agree with the formula preferred by Mr. Michael Foot, the Employment Secretary, but actually supported by the Chancellor and Mr. Harold Lever, the Prime Minister's right hand man on financial affairs. The formula was to publish a draft Bill containing the reserve powers, with the implied threat that it would be put through Parliament immediately if the TUC General Council's 19-13 votes voluntary agreement on wages fails.

The Chancellor is believed to have originally wanted to include the reserve powers in the coming "nuts and bolts" counter-inflation Bill, due to be put through Parliament this month, with the provision that the reserve powers should be activated by statutory Order when the Government felt this was necessary. But by Thursday's Cabinet he is said to have been moving towards Mr. Foot's preference, on the ground that there would not really be any practical differences in legislative terms between two positions:

Mr. Healey, the Prime Minister, and other senior economic Ministers had by this time decided that it was vital to keep Mr. Foot from resigning, as he might have done if reserve powers had been incorporated in the "nuts and bolts" legislation.

● Mr. Foot's department would probably break the TUC's voluntary agreement—far better to keep the Foot-Jack Jones alliance going—and simultaneously would probably have undermined confidence in both the Government and sterling.

● Reserve powers actually on the statute book by the end of July would have made it more difficult for Mr. Jones and the majority of TUC leaders to carry the TUC Congress with them in September.

● A draft statutory powers Bill, however, would perhaps not offend the TUC and the Government does not see it being brought in before October, and will also make it difficult for the Conservative Opposition to vote against the White Paper and the "nuts and bolts" legislation later this month.

● If and when reserve statutory powers have to be introduced, it would only be after it was seen by the public, and also by the Conservatives, to be essential to help to achieve the Chancellor's target for reducing wage inflation.

Michael Foot's supporters regard Mr. Wilson's statement as a victory for Mr. Foot and Mr. Jack Jones. However, Mr. Anthony Wedgwood Benn's friends believe it will merely delay the most draconian statutory measures ever, which would be likely to be introduced against a background of rising unemployment, a monetary squeeze

Mrs. Margaret Thatcher, Leader of the Opposition, reacted cautiously to Mr. Wilson's statement. She said she was worried about the difficulties of ending the new flat rate wage policy and about the stresses and strains the policy would produce within the year. The tendency would be to restore wage differentials at all costs, she predicted.

However, despite these criticisms, she made it clear that the Opposition was keeping its powder dry for the moment.

Continued from Page 1

Mixed response to Premier's pay policy

and Mr. Healey seemed keen to give the impression that the CBI and TUC had fully agreed to the policy among themselves and that all the Government had to do now was introduce some reserve powers.

Questioned about this, though, they admitted that, in accepting the plan, the two organisations had expressed reservations and that, even though the TUC's wage proposals formed an appendix to the White Paper, the plan was still only the Government's policy" and not a joint Government-TUC-CBI one.

The impression of unity which the Ministers were anxious to encourage showed signs of distinct strain when Mr. Murray was questioned later about assertions made by Mr. Wilson and Mr. Healey that the TUC, with the CBI, had agreed to early talks on the problems of the next stage of the pay policy for the year starting in 12 months' time.

Mr. Healey stressed that the proposals were "not a once for all policy, but a policy for the first of several years programme . . . to get the rate of inflation down to that of the rest of the world." This, however, runs directly counter to the arguments pushed by union leaders like Mr. Jones, when rallying their reluctant members, that the TUC's plan is only a one-off exercise restricting free collective bargaining for a one-off crisis year.

Mr. Murray professed to know of no TUC undertaking about talks on a continuing policy although he carefully agreed that there clearly would be talks on what Mr. Healey had called the problems of "re-entry" next year.

Mr. Healey's remarks, though, have played into the hands of the opponents of wages restraint, who will now be preparing for a major battle at both the TUC's September Congress and the Labour Party conference a month later.

Yesterday the trade union reaction to the White Paper broadly followed the lines of the TUC's 19-13 vote of Wednesday, although Lord Allen, of the Shopworkers, satisfied about price controls, swung from opposition to support.

It is clear, though, that the Congress's 9m.-10m. total votes could well be almost equally split down the middle on the policy, and this indicates that a major propaganda exercise is needed within the Labour movement.

The Government is planning a special campaign which it hopes will involve Ministers devoting their speeches to selling the policy around the country—something they notably failed to do with the first stage of the social contract.

A special propaganda unit has been set up in the Cabinet Office under Mr. Geoffrey Goodman, 54, who has been seconded from his job as industrial editor of the Daily Mirror. The Department of Employment yesterday launched its first positive public move on the wages from since Mr. Foot became its Secretary of State when it created a nine-line telephone inquiry point for those in doubt about how to implement the policy.

This is thought to be especially necessary, because the TUC's proposals, which appear in the White Paper annex and form the working guidelines for the new policy, lack the clarity and precision of a Pay Code and are far from explicit.

Equally vague, after a remark made by the Prime Minister yesterday, is the question of when the Government might decide to step in on an excessive pay rise and activate is reserve powers by formally publishing the Bill in the Commons. The White Paper says this action would be taken "if the pay limit is endangered with resultant unfairness to the great majority of those who are prepared to observe it."

Mr. Wilson underlined the many loopholes for wily politicians this sentence leaves when he said that the actions of "one clown" might not necessarily be considered to be dangerous enough to "endanger" the limit, indicating that the Government might prefer to keep the powers in reserve for a major test case with a significant group of workers rather than use it on perhaps a small group of scientists or technologists.

Also unclear is how the policy is to be monitored and who, presumably in the Government, will judge which pay rises are too high. Such rises would warrant being "certified," as the White Paper puts it, to the Price Commission for the punishment of being totally disallowed for price increases.

Now the CBI and TUC are to have talks also involving Ministers on the problems of monitoring, while the CBI may also consider creating a strike indemnity fund for employers resisting pay strikes.

● Mr. Arthur Scargill, the Yorkshire miners' leader, later called for a complete reappraisal of the leadership position in the Labour Party, in terms of its responsibility to the Party as a whole.

"I believe that the leadership of the party should be answerable to the party conference and carry out the decision of the party conference and not violate party conference decisions and election pledges," he said.

Coats Patons directors attacked by institutional shareholders

BY STEWART FLEMING

THE DIRECTORS of textile company Coats Patons were attacked by leading institutional shareholders, yesterday, for failing to maintain sufficiently close links with shareholders in recent years and for not appointing non-executives to the Board.

The criticisms came at the company's two and a half hour annual meeting in Glasgow, which was atended by over 200 shareholders.

Chairman Mr. Charles Bell repeatedly defended the decision not to pay a final dividend, but conceded that the Board could have presented its case more clearly. He emphasised that the main reason for the decision to save £7m. by omitting the dividend was the progressive deterioration in the company's cash position during 1974.

Formal opposition to Coats Patons dividend policy was registered by pension fund and unit trust representatives, but resolutions proposed by the Board to make a scrip issue to shareholders and adopt the report and accounts were carried easily on a show of hands.

The extent of institutional unrest was formally recorded, however, when Mr. Bell called for a poll on the scrip issue. The result was 17.2m. votes in favour and 6.5m. against.

While institutional representatives made it clear they were disturbed by the financial implications of the dividend decision for some shareholders, and its effect on the company's share price, they left no doubt that it was what they felt to be the remoteness of the company that particularly concerned them.

The point was driven home most forcibly by Mr. Alastair McDonald, representing the Church Commissioners and the Central Board of Finance of the Church of England, which control some 3m. votes. He pointedly read to the Board extracts from a CBI statement about the valuable role of non-executive directors and the need for companies to consult with shareholders.

Mr. David Hopkinson, chairman of the Investment Protection Committee of the Association of Unit Trust Managers, backed his call for the appointment of non-executive directors. Earlier he described the Board's decision to make a scrip issue as "cosmetic financing" and a "monumental irrelevance."

Mr. Hopkinson also attacked the decision announced by Mr. Bell at the meeting to enable shareholders to sell shares issued to them as scrip on the stock market without paying the full rate of commission.

A measure of the strength of pension fund feeling was given by the British Rail pension fund representative. He said the Board had misjudged the seriousness of the situation and damaged the long-term confidence of shareholders.

Defending the Board against these criticisms, Mr. Bell described the progressive deterioration in the company's finances during 1974. This had led to an increase of borrowings as a percentage of shareholders' funds to 56 per cent., compared with 46 per cent. in 1973. The position had subsequently shown signs of improvements and Coats Patons also had unused borrowing facilities.

Continued from Page 1

Financial Times computer plan

differed so greatly it was not possible to reach joint agreement.

At a Press conference last night Mr. Hare, when asked whether he expected the Fleet Street unions would put obstacles in the way of the plan, commented: "I do not feel we will fail to get our proposals through."

Consultation with the unions would begin as soon as possible. Compensation for those who would leave the newspaper was subject to negotiation but would be at least as good as conventional schemes in the industry. The company also had plans for the retraining of people for work outside the newspaper industry—an aspect which existing schemes ignored.

The Financial Times expects to spend "not less than £1m." from its own resources on computer equipment and will follow a "buy British" policy where performance and price are reasonably in line with those offered by overseas competition, said Mr. Hare.

The scheme goes further than others in that it will embrace not only typesetting by computer but also the commercial requirements of the company.

Mr. Hare maintained that it would enable the newspaper to work to later deadlines and give the readers a better-printed paper.

The nature of the technology would mean that its impact on the employees "is almost total in that it will produce changes in virtually every area of the business."

Our Labour Staff writes: Printing union branches at the Financial Times will hold a combined meeting shortly to explain the plan and hear the members' reactions. Discussions with management, to include the National Union of Journalists' office branch, will follow. Details of the proposals were spelt out to national officials and branch chairmen of the seven print and clerical unions just before the public announcement.

Weather

U.K. TO-DAY

A RIDGE of high pressure will move east across the British Isles. Later, a trough of low pressure will approach south-western districts. Much of England, Wales, Northern Ireland and Southern Scotland will be dry with sunny spells.

London, Midlands, Cent. and N. England

Dry, sunny spells. Wind W., light becoming variable. Warm. Max. 23C (73F).

S.E. England, East Anglia, Cent. and S. England,

Dry. Sunny spells. Wind W., light. Warm. Max. 23C (73F) Cooler near coasts.

S.W. England, S. Wales

Dry, sunny spells, becoming cloudy perhaps rain later. Wind S., light or moderate. Warm. Max. 22C (72F). Cooler near coasts.

N. Wales, N.W. England, Lake District, Isle of Man, N.E. England, N. Ireland

Dry, sunny spells. Wind W., light or moderate, becoming variable. Warm. Max. 21C (70F). Cooler near coasts.

Lighting-up: London, 21.45; Manchester, 22.04; Glasgow, 22.27; Belfast, 22.26.

Pollen Count: London—19, low. Forecast similar.

BUSINESS CENTRES

	Y'day Mid-day	°C	°F		Y'day Mid-day	°C	°F
Alexandria	F	28	82	Luxembrg.	C	21	70
Amstrdm.	F	24	75	Madrid	S	29	84
Athens	S	35	95	Manchstr.	C	20	68
Bahrain	S	36	97	Melbourne	C	11	52
Barcelona	S	26	79	Milan	S	30	86
Beirut	S	28	82	Montreal	S	23	73
Belfast	C	17	63	Moscow	S	22	72
Belgrade	S	29	84	Munich	S	26	79
Berlin	S	28	82	Newcastle	R	19	66
Birmghm.	C	19	66	New York	C	25	77
Bristol	F	19	66	Oslo	R	20	68
Brussels	C	23	73	Paris	F	20	68
Budapest	T	20	68	Perth	R	14	57
B. Aires	C	14	57	Prague	F	26	79
Cairo	S	31	88	Reykjavik	C	11	52
Cardiff	S	19	66	Rio de J'o	S	21	70
Cologne	F	24	75	Rome	S	28	82
Copnhagn.	F	22	72	Singapore	S	31	88
Dublin	C	19	66	Stockholm	F	25	77
Edinburgh	F	18	65	Strasbourg	T	23	73
Frankfurt	S	28	82	Sydney	S	13	55
Geneva	C	18	64	Tehran	S	39	102
Glasgow	R	17	62	Tel Aviv	S	27	81
Helsinki	S	24	75	Tokyo	R	24	75
H. Kong	S	31	88	Toronto	S	20	68
Jo'burg	S	15	59	Vienna	S	30	86
Lisbon	S	24	75	Warsaw	F	24	75
London	F	22	72	Zurich	S	26	79

HOLIDAY RESORTS

	Y'day Mid-day	°C	°F		Y'day Mid-day	°C	°F
Ajaccio	S	24	75	Jersey	S	18	64
Algiers	F	30	86	Las Plms.	S	24	75
Biarritz	S	22	72	Locarno	S	27	81
Blackpool	C	19	66	Majorca	S	27	81
Bordeaux	F	24	75	Malaga	S	32	90
Boulogne	R	15	59	Malta	S	29	84
Casablnca.	S	23	73	Nairobi	S	23	73
Cape Tn.	S	20	68	Naples	S	33	92
Corfu	S	29	84	Nice	S	24	75
Dubrovnik	S	29	84	Nicosia	S	29	84
Faro	S	24	75	Oporto	F	22	72
Florence	S	31	88	Rhodes	S	32	90
Funchal	S	24	75	Salzburg	S	27	81
Gibraltar	S	31	88	Tangier	S	25	77
Guernsey	S	16	61	Tenerife	F	20	68
Innsbruck	S	26	79	Tunis	S	29	84
Inverness	R	18	64	Valencia	S	32	90
I. of Man	C	17	63	Venice	S	30	86
Istanbul	S	29	84				

S—Sunny. F—Fair. C—Cloudy. R—Rain. T—Thunder.

THE LEX COLUMN

Room for second thoughts

It would be unwise to read too much into the market's instant thumbs down to the Government's White Paper. There were profits to be taken in equities on the last day of an account during which prices had rallied sharply: even after yesterday's setback, the 30-Share Index has moved up 18 points over the fortnight. Moreover the rise was achieved on extremely thin trading. The value of business done this week was the second lowest since the start of the bull market.

The bearish reaction in gilts—longs rose a point ahead of the statement, and then dropped two—was also exaggerated by the speculative froth in the market following a period of substantial demand. Yesterday's gyrations were so erratic that the Government Broker had to delay the expected announcement of the new long tap until after hours.

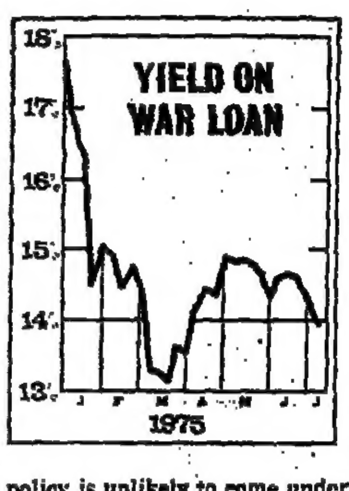
But the immediate impression given by the White Paper is that it extends the Government's topsy-turvy approach to inflation: control of inflation is necessary, the argument goes, to allow public spending to be maintained at high levels, and there is no admission that excessive public spending might be a cause of inflation. Lack of any firm indication on the borrowing requirement was certainly a major reason for disappointment in the City yesterday, and the proposals for extended subsidies—as on rents and food—caused some concern.

On the other hand, these extra spending plans are so small that they can be regarded as a minimal sop to the TUC. And it is certainly encouraging that nationalised industry deficits are still to be phased out, while the curbs on local authorities sound tough. The general proposals on cash limits, however, are extremely vague.

The statement on monetary policy is adequate in so far as is goes, but there are still no quantitative commitments. And in any case the crunch for monetary policy will not come in the near future, with private sector demand for credit in the doldrums and gilts readily saleable, but probably at some point towards the middle of 1976. Although M3 is currently very sluggish the lending capacity of the banking system is constantly being stoked up, and the problem will be to avoid a 1972-style explosion of credit when industry moves into the restocking phase. That is the medium term threat to gilts which is not removed by this White Paper.

Index fell 10.8 to 313.6

Yesterday apart, however, the bulls are having things very much their own way in gilts. The weight of money looking for a home was emphasised by the way £500m. cascaded into the last tap stock—there is £750m. of the new one—and it is being argued that with the help of the summer lull in the wage round the new incomes



policy is unlikely to come under any serious pressure until September at the earliest. The terms of the new tap do not pose any problems for the market, which has absorbed large quantities of stock and still recovered nearly two-thirds of the relapse from the March peak, as measured by the F.T. Government Securities Index.

There has been much less enthusiasm recently in the equity market, which now has to cope with the prospect of unending dividend and price controls: dividend legislation will be extended when it expires next March 31. But the White Paper takes an uncompromising line on the importance of profits, and their recent inadequacy. It does not follow the TUC's recommendations on harsher productivity deductions, and although the Price Code changes relating to wages look fierce their impact will be blunted by the recession. New figures show that manufacturing production in May was 8 per cent. below last summer's levels, and many companies are already finding it impossible to translate allowable costs into higher prices. It was noticeable yesterday that the reaction of manufacturing companies — across quite a broad spectrum—was uniformly more favourable than that of the City.

British Leyland

The British Leyland story reaches its sorry climax on Monday when shareholders meet at an EGM to vote on the scheme of reconstruction. There was never any real question but that the big battalions would support the Board, giving them the necessary 75 per cent. majority of the votes cast to get the scheme through. But British Leyland did seem a little nervous at one stage about whether it could get the simple majority which is also required among the shareholders voting. Now, however, its doubts seem to be over; and the opposition campaign does not seem to have stirred up any great groundswell of opinion among the group's 240,000 shareholders.

Ahead of the meeting, it is worth repeating that the company is in no position to get a better offer from the Government, and that there are no valid reasons to think that a hostile vote would bring any significant changes in Ryder's proposals. Short-term borrowings totalled £850m. in the middle of May and are still rising and the group is still not making any real profits after losing a net £43m. in the first half of this year. Shareholders have no role to play in this kind of situation.

Coats Patons

The Coats Patons affair has generated plenty of heat but the votes cast at yesterday's meeting were still less than a tenth of the total. In the event, the institutional opponents of the Board did not seriously embarrass the voting power of its supporters, and the scrip issue was approved on a poll by 17.2m. to 6.5m. with the report and accounts then being passed on a show of hands. Although Coats has raised a valid point about the impact of ACT on corporate liquidity, neither it nor any other company is likely to follow this particular course again. Incidentally, since the original announcement, Coats' shares have fallen by 15 per cent. against a drop of a tenth in the market.

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